

## Wealth succession

### Making the right preparation for future generations

Financial planning can be a daunting and uncomfortable conversation for many, but thankfully attitudes towards talking about money are changing. Wealth succession should be an integral part of your financial plan as early as possible – because the right preparation now can have positive long-term impacts on future generations.

Despite the uncertain economic climate, families are doing their utmost to ensure they can leave behind a secure financial future for their children and grandchildren. According to predictions, the amount of wealth passed on in the next two decades could double, with estimates this figure could be as high as £5.5 trillion by 2047<sup>[1]</sup>.

Worryingly, an astounding £15bn inheritance still remains unclaimed due to people not informing their beneficiaries about the existence of these funds<sup>[2]</sup>. With careful planning, you can ensure that your assets are passed on securely for generations to come.

When it comes to transferring wealth between generations, having an open dialogue is paramount for creating the best outcome for everyone.

**Before you start this process, consider the following questions:**

- When do I want to transfer my wealth?
- How much wealth do I want to pass on?
- Whom do I want to pass my wealth on to?
- How do I want to transfer my wealth?

These four questions are closely interconnected – and with careful planning and discussion, you can ensure that your assets are handed down as simply and tax efficiently as possible.

#### **I. WHEN DO I WANT TO TRANSFER MY WEALTH?**

Keeping your Will up to date is an important part of planning for the future. Not only does it ensure that your wishes are carried out, but having a Will that reflects the current legal landscape where you hold assets can allow for greater flexibility and potential advantages.

Transferring assets during your lifetime may also bring benefits and provide you with the opportunity to experience seeing your chosen beneficiaries benefit from your funds. It's important to take professional advice to determine which option is best for you and your family.

It's important to review your Will regularly, such as every two to three years or when there is a major change in your or your family's circumstances. For example, marriage revokes any existing Will in

England and Wales unless it was made in anticipation of that marriage. To protect legacies from inflation, consider linking their value to inflation so they maintain their 'real' value over time.

Using your Will to transfer wealth enables you to preserve your own standard of living and future security. On the other hand, giving gifts during your lifetime allows you to witness seeing your beneficiaries experience the benefits of your funds.

Furthermore, if you are subject to UK taxes, it may also be more tax-efficient to act sooner rather than later. Ultimately, each person has different objectives and priorities when it comes to wealth succession; what's important is striking the right balance between sharing your wealth with loved ones and ensuring that you have enough left to maintain your quality of life and prepare for whatever the future may bring.

Wealth planning involves considering various scenarios and 'stress-testing' the outcomes against assumptions such as potential investment returns, inflation projections and long-term care costs. This helps ensure that individuals are prepared for



different eventualities and can make better informed decisions about protecting their wealth.

## 2. HOW MUCH WEALTH DO YOU WANT TO PASS ON?

When making large gifts, cashflow 'stress-testing' allows you to make informed decisions on how much you can afford to part with, despite the uncertainty of the future. Knowing this, it is vital to allow for both worst and best case scenarios within your gifting range when planning your wealth. When calculating how much wealth you want to pass on, it is important to consider a few factors.

First, the amount of assets you want to transfer should be enough to cover future costs such as taxes or estate planning services. You should also factor in inflation and other potential investments that could increase the value of your assets over time.

Additionally, you need to think about the lifestyles and needs of your beneficiaries and consider how much money will be required for their future needs. It is important to consider all of these factors when determining how much wealth you want to transfer, as this can have a significant impact on your legacy.

Ultimately, it is essential to have a thorough understanding of your goals and financial situation when calculating wealth-passing decisions. By taking the time to consider all of these elements, you can ensure that your hard-earned wealth is passed on in a way that honours your wishes and provides for your beneficiaries.

## 3. WHOM DO YOU WANT TO PASS YOUR WEALTH ON TO?

With regards to deciding how to share your wealth, the choice is yours. Should you have young grandchildren, a trust structure could be beneficial in covering their long-term costs such as education, university fees or property purchases.

You can keep some control by being a trustee yourself, especially if one of your beneficiaries has special needs, as this helps ensure the trust deed works for their long-term interests. In addition, you may want to benefit charities close to your heart. Ultimately, the decision is an entirely personal one and should take into account timing and other factors that matter most to you.

## 4. HOW DO YOU WANT TO TRANSFER YOUR WEALTH?

When it comes to transferring your wealth, there are a lot of important considerations. It's essential to understand the different options you have and ensure that your plans meet your financial goals. Before making the decision to gift during your lifetime, it pays to take a step back and assess whether you are able to afford it.

If yes, there are further considerations regarding when and how. Steps 1 to 3 can help determine whether an absolute transfer or trust structure is most suitable; while trusts add complexity, they may be the best way of achieving your goals. Ultimately, timing and affordability must be kept top of mind in this process. ■

## DEATH AND TAXES, TWO OF THE WORLD'S CERTAINTIES. HAVE YOU PLANNED FOR THESE EVENTS?

Succession planning will help you to ensure that the wealth you have amassed during your lifetime is passed on to future generations in the way you would wish. If you think this could affect you, or if you are at all unsure, talk to us for more information. We look forward to hearing from you.

### Source data:

[1] [fwu-report-final-version-20-april-2022.pdf \(mandg.com\)](#)

[2] <https://www.independent.co.uk/money/spend-save/inheritance-will-investment-pension-assets-life-insurance-a8927966.html>

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