

Will your life Insurance Policy **increase** your Inheritance Tax Bill?

If you have arranged life insurance to protect your family, business, friends etc from the financial consequences of an early demise, did you also arrange for it to be placed in Trust for the people you want to benefit?

Cover can be cheap if you do it on-line but do it wrongly and 40% of the benefit could go to the government.

This is particularly relevant here in the South East as property values can easily push your estate above the Nil Rate Band for Inheritance Tax, which is currently £325,000 plus £100,000 Residence Nil Rate band if applicable.

If the payment from the Insurance Company goes to your Estate and takes your total above that level then there could be 40% Inheritance Tax to pay; that's £40,000 on a £100,000 policy!

Aaahhh, I hear you say but there is no Inheritance Tax between Spouses or Civil Partners! True, but suppose a couple die together or the partner is in care and in many other awful circumstances who would you would want to get the insurance payout, your children perhaps?

A Trust can solve all these problems ensuring that the funds end up in the right hands Inheritance Tax free.

I cannot go into fine detail on all the various type of Trust in this article but they can be quite simple, very effective and economical, all you really need to decide is what you would want to happen to the insurance payout in various circumstances, your adviser can do the rest.

Yes your Independent Financial Adviser (IFA) not only can they source the right type of cover for you at the right price but they can also ensure any payout goes to the right people at the right time. You can even put existing plans into a Trust if that's the right thing to do.

Alternatively you could always leave 40% of your assets to the government! See your IFA a.s.a.p.