



# News Article

SEVENTYSEVEN WEALTH MANAGEMENT

# The Great Wealth Migration & The Silent Estate Killer

## Baby Boomers vs Inheritance Tax

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It is interesting that the political slight of hand that was conveniently sandwiched between the Global Financial Crisis and the Sovereign Debt Crises a decade ago managed to divert the tax payers attention from probably the most pervasive tax we are ever likely to have to face. 'Inheritance Tax', back then appeared for many to become yesterday's problem as we were being told about 'allowances doubling', '£1,000,000 of tax allowance' and so on. Sadly, the reality of this last decade is that the allowances have not doubled while tax revenues to HMRC have risen and continue to gather upward momentum.

How can this be you might ask, well ironically, we now have a growing number of estates being charged as much as 60% inheritance tax on parts of them following the most recent legislation surrounding the Residence Nil Rate Band (RNRB). Meanwhile instead of doubling, the standard tax free allowance or Nil Rate Band (NRB) hasn't increased since 2009 and will not again until 2021 and then only by the lower consumer prices index (CPI). Age UK have evidenced that as we age we experience a much higher rate of inflation than this.

This constant erosion of our allowances is not new to Inheritance Tax, the best example being your annual exemption for gifts, which is currently £3,000 per year, the very same level as 35 years ago when Inheritance Tax was born.

What all this is telling us is that Inheritance Tax is far from dormant, in fact rampant would be a better description, and now more worryingly it is poised to gain far greater pace as we enter what we see as wealth's 'Great Migration'. The Baby Boomers are just beginning to cause the greatest transfer of wealth to the next generation that we have ever seen and it is going to have to pass right through the crocodile infested river of Inheritance Tax.

So, why are we ignoring it? Well the answer is in the question. Death and taxes have always been something we are happier to forget than confront, in short, we took little persuading to assume 'it will all be alright'.

Inheritance Tax has always been a breeding ground for convenient assumption. I have for some time been quite engaged in the property owner/developer world and was recently speaking to a group of property developers in London who were genuinely surprised and concerned to hear that their hard earned property portfolios would suffer Inheritance Tax. They had assumed they would avoid it by simply holding it within a company structure. In fact I'm sure some of them left still believing they were safe, preferring to believe their assumption over the facts.

This is a common problem with Inheritance Tax. The simple fact is that when it comes to planning your affairs for passing down to the next generation, it is quite important to always remember...

***Whatever you do to avoid Inheritance Tax and however clever you think it might be... you will never know if it worked!***

I have spent the last twenty years or so looking after many different types shapes and sizes of estates and have come across many self developed or DIY tax avoidance approaches, some quite ingenious. Unfortunately an overwhelming majority either don't work or simply move the inheritance tax pounds to another's pocket accruing fees, charges and other taxes while also usually making things much more complicated for the family in the process.

The rather simple and frustrating truth is that this tax really is prolific yet so easy to ignore. After all, it's not your problem, you'll be dead, but it really is a voluntary tax and can be avoided legally provided you embrace it properly and as with any problem like this, doing so sooner rather than later is likely to help.

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