



Wealth transfer strategies

For high-net-worth individuals



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SPOTLIGHT ON:

Wealth transfer strategies for
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PRACTICAL STEPS TO PASS ON WEALTH TAX-EFFICIENTLY

Intergenerational wealth planning is most effective when tax, investment, family governance and timing work together. This guide sets out practical options using current UK rules and allowances. It explains how to combine annual exemptions and larger lifetime gifts, where trusts and family investment companies can help, and why pensions continue to be central after the lifetime allowance changes.

It also covers portfolio tactics for capital gains, opportunities for business and agricultural reliefs, and the role of structured philanthropy. For internationally mobile families, we highlight the shift to the new foreign income and gains regime and the move towards residence-based inheritance tax (IHT) exposure, so timing and residence decisions can be taken with eyes open.



SET CLEAR GOALS BEFORE YOU OPTIMISE TAX

Start by writing down the outcomes you want over a 10–20 year horizon.

- Who should benefit, when and with what guardrails?
- What income does the donor need to retain, now and in later life?
- Which assets are suitable for lifetime gifts and which are better held to death?
- What level of administrative complexity, cost and investment risk is acceptable?

Agree these principles with family members who will be involved. It reduces friction later and guides choices between gifts, trusts, pensions, companies and philanthropy.

LIFETIME GIFTING: USE EXEMPTIONS FIRST

Lifetime gifts reduce the taxable estate and can move growth to the next generation.

CORE EXEMPTIONS - SIMPLE, REPEATABLE

- **Annual exemption:** Give up to £3,000 each tax year (carry forward one year if unused). Small gifts up to £250 per recipient are separate. Wedding gifts are exempt up to £5,000 (child), £2,500 (grandchild) or £1,000 (others).
- **Normal expenditure out of income:** Unlimited gifts from surplus income are immediately IHT-exempt if they are part of a pattern, come from income (not capital) and do not reduce your standard of living. Keep clear records of income, spending and regular gifts.

POTENTIALLY EXEMPT TRANSFERS (PETS)

Gifts to individuals are outside IHT if the donor survives seven years. If death occurs within **seven years**, taper relief can reduce tax on the gift after year three. PETs remain a mainstay for large transfers where control via trusts is not required.

PRACTICAL TIPS

- Prioritise assets with strong growth prospects so future gains occur outside the estate.
- Consider capital gains on disposal; use the £3,000 capital gains tax (CGT) exemption each year and re-base asset costs across the family where appropriate.
- Document intent and keep a simple gift ledger; it speeds probate and reduces HMRC queries.

TRUSTS: CONTROL, PROTECTION AND TARGETED RELIEFS

Trusts can separate economic benefit from control, protect vulnerable beneficiaries and support long-term governance. However, relevant property trusts face entry (20%), 10-yearly and exit charges above available nil-rate band (NRB) and share the donor's £325,000 NRB across related settlements. Trusts remain powerful, but should align with clear purposes (education, housing, protection) and be sized for expected charges.

Residence nil-rate band (RNRB)

planning: Keep an eye on estate values around £2m due to tapering of the RNRB. In some cases, lifetime gifts that bring the estate below £2m can restore some or all of the £175,000 RNRB on death.

Business and agricultural reliefs:

Qualifying business property and certain AIM/unquoted shares can secure 100% or 50% IHT relief after a two-year holding period, subject to trading tests and excepted asset rules. Relief is generous but not automatic; due diligence on trading status and evidence of ownership periods is essential. From 6 April 2026, a combined £1m allowance for the 100% rate of business and agricultural property relief applies per individual, with the unused allowance transferable to a spouse or civil partner. Amounts above £1m get relief at the rate of 50%.





FAMILY INVESTMENT COMPANIES: WHERE DO THEY FIT?

Family Investment Companies (FICs) can help retain control, centralise investment management and pass value via growth shares to heirs, with transfers taxed under CGT/IHT rather than income. They work best when:

- you plan to retain capital, not distribute heavily in the near term (to avoid double taxation)
- you have a clear share class design (for example, voting "founder" shares, non-voting growth shares for heirs)
- you accept ongoing company compliance and dividend extraction rules.

FICs don't attract specific IHT reliefs, but can sit alongside trusts (such as a trust holding growth shares) to combine control with protection. Obtain corporate, tax and legal advice before implementation.

PENSIONS: STILL CENTRAL TO INTERGENERATIONAL PLANNING

Pensions continue to be a tax-efficient wrapper for growth and income, with added estate-planning features.

CONTRIBUTIONS AND RELIEFS

- Contribute up to £60,000 (subject to earnings), with carry-forward available from the previous three years. Tapering applies from adjusted income £260,000, down to a £10,000 minimum. If you have flexibly accessed Defined Contribution (DC) benefits, the Money Purchase Annual Allowance (MPAA) caps DC contributions to £10,000.
- From April 2029, NIC relief on pension contributions made via salary sacrifice will be capped at £2,000 a year, which may reduce the appeal of very large sacrifice arrangements.

NEW ALLOWANCES REPLACING THE LIFETIME ALLOWANCE

- Lump-sum Allowance (LSA) £268,275 caps tax-free pension commencement lump sums across all schemes.
- Lump-sum and Death-Benefit Allowance (LSDBA) £1,073,100 caps tax-free lump sums, including certain death benefits; amounts above these limits are taxable at the beneficiary's marginal rate when taken as lump sums. Transitional protections may adjust these figures for some individuals.

DEATH BENEFITS

- Generally, where death occurs before age 75, beneficiary drawdown or lump sums are free of income tax; on/after 75, they are taxed at the recipient's marginal rate. From 6 April 2027, most unused pension funds and certain death benefits will fall within the estate for IHT. Budget 2025 confirms new rules allowing executors to ask schemes to withhold up to 50% of taxable death benefits for up to 15 months to meet IHT, and to discharge executors from IHT on pension rights discovered after HMRC clearance. Review nominations and estate liquidity well before that date.

PLANNING POINTERS

- High earners should test the affordability of maximising allowances in the years before retirement, using carry-forward where available.
- Coordinate pension withdrawals with ISA funding and broader gifting strategy.
- Keep your expression of wishes up to date so scheme administrators can pay benefits quickly and as intended.

CHARITABLE GIVING: EFFICIENT TOOLS FOR IMPACT

Philanthropy can advance family values and reduce tax.

- Relief is now focused on UK charities: Gift Aid and, from 2025/26, the main IHT charity exemptions apply to direct gifts to UK charities and qualifying clubs.
- Gifts of quoted shares, land or property to charity attract income tax relief at market value and no CGT, in addition to IHT relief for lifetime and death-bed gifts.
- Donor-advised funds (DAFs) provide a flexible alternative to setting up a charity, allowing an immediate tax deduction followed by staged grants over time under your family's guidance.
- If you support non-UK charities or use cross-border structures, review your plans – IHT relief will generally be limited to direct gifts to UK charities from late 2025/early 2026.

Consider including charitable legacies in your will. Where 10% or more of the net estate passes to charity, the estate may qualify for the 36% reduced IHT rate.

ENTREPRENEURIAL AND GROWTH-CAPITAL RELIEFS

High-net-worth individuals who back early-stage companies can combine succession aims with growth capital.

- **Seed Enterprise Investment Scheme (SEIS):** 50% income tax relief on up to £200,000 per year, partial CGT reinvestment relief, minimum three-year holding, high risk and strict qualifying rules.
- **Enterprise Investment Scheme (EIS):** 30% income tax relief up to £1m (or £2m where at least £1m is in knowledge-intensive companies), CGT deferral or exemption may be available, minimum three-year holding.
- **Venture Capital Trusts (VCTs):** Currently 30% income tax relief on new subscriptions up to £200,000 a year, scheduled to reduce to 20% for investments from 6 April 2026, with dividends and gains remaining tax-free if conditions are met and shares are held at least five years.

These vehicles are illiquid and higher risk; use them to complement, not replace, diversified core assets.

PROPERTY AND PORTFOLIO DESIGN FOR MULTI-GENERATIONAL AIMS

Property choices: Consider how much housing wealth you want embedded in the taxable estate. Downsizing, family co-ownership structures or gifting deposits can align homes with succession goals. Where the RNRB applies, ensure the will passes a qualifying interest in the main residence to direct descendants and watch the £2m taper threshold. From 2028, owners of English residential properties over £2m will face a High Value Council Tax Surcharge, which may influence decisions on holding or restructuring high-value homes.

Tax-aware portfolio withdrawals: In retirement, many high-net-worth households draw ISAs first (tax free), then pensions, then general investment accounts. For intergenerational aims, this order may flip: keeping pensions invested (subject to the 2027 IHT change) while using ISA and general investment account funds to support gifts or trust funding can sometimes improve the family-level outcome. Revisit this annually. The Autumn Budget 2025 increases tax rates on dividends, savings income and (from 2027) property income, which may tilt the balance further towards using pensions and ISAs as long-term wrappers.

CGT management: Use the £3,000 exemption each year; spread disposals across spouses/civil partners to use two allowances and two basic-rate bands where possible. Consider bed-and-ISA or bed-and-spouse tactics to re-base holdings and improve future flexibility.

CROSS-BORDER FAMILIES AFTER THE 2025 REFORMS

The new foreign income and gains (FIG) and residence-based IHT rules mean domicile is less relevant. Planning now focuses on:

- timing of UK residence and the first four-year window for FIG
- the long-term resident IHT test, which brings worldwide assets into scope after sustained UK residence
- the treatment of offshore trusts and whether historic structures still meet your objectives.

Inbound or returning families should build a residence, remittance and IHT roadmap at least a year before moving. Outbound families should understand the tail period for continued UK IHT exposure after departure. Budget 2025 adds further offshore anti-avoidance rules, including for temporary non-residents and some historic excluded property trusts, so existing cross-border structures should be reviewed in detail.

WILLS, LETTERS OF WISHES AND FAMILY GOVERNANCE

Tax efficiency fails if legal documents do not reflect your intent. Review the following.

- **Wills:** Keep them current. Consider flexible provisions (such as discretionary trusts, powers of appointment).
- **Letters of wishes:** Provide guidance to trustees and executors; update after major life events.
- **Powers of attorney:** Ensure trusted people can act if capacity is lost.
- **Executor preparedness:** Maintain a secure asset and liability register, plus contact details for advisers.

A short annual review avoids the common problem of stale documents and missing paperwork.

PRACTICAL CHECKLIST FOR THE NEXT 90 DAYS

- Update your net worth schedule and cashflow, including expected gifts and bequests.
- Confirm beneficiary nominations on pensions and life assurance.
- Review use of IHT exemptions (annual £3,000, small gifts, marriage gifts) and set up regular gifts out of income with records.
- If your estate is near £2m, model the RNRB taper and consider gifts to restore relief.
- Re-check trust holdings against trading tests for business relief, and the new £1m APR/BPR allowance and transfer rules.
- Maximise pension funding within the £60,000 allowance (or tapered/MPAA limit), and align with the LSA/LSDBA framework.
- For cross-border families, map your status under the FIG regime and residence-based IHT.
- Align charitable giving with Gift Aid and, if useful, explore DAFs.
- Recent anti-avoidance changes tighten the IHT treatment of some offshore and agricultural structures and the way trust exit charges are calculated, so older arrangements should be reviewed.

BRINGING IT TOGETHER: A MODEL PATHWAY

Effective wealth transfer is rarely about a single tactic. Results come from a clear destination, steady use of annual allowances and selective use of structures where they add control or protection. Keep pensions, ISAs and general investments working together; use gifting to move future growth outside the estate; and revisit your plan each year as rules, markets and family needs evolve. For cross-border families, plan residence and timing early so UK tax outcomes reflect choice, not chance.

If you would like help prioritising the next actions for 2026, we can model options against your objectives, test sensitivities and prepare a simple plan that sets out what to do this quarter, what to defer and what to monitor for future opportunities.



If you want practical, tailored guidance,
reach out to us.



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