



# Protecting your inheritance: Things to consider

*We'd all like to be able to help our loved ones after we're gone. It's not the easiest of conversations, but a little time spent discussing how to pass on your wealth with a professional adviser today could protect your inheritance and offer security for your family.*



## Inheritance Tax (IHT)

IHT is applied upon death at a rate of 40% on estates worth over £325,000 (2024/25 tax year). An additional tax-free allowance of £175,000<sup>1</sup> is available in relation to family homes.

Despite this, the rise in house prices has led to more people than ever becoming subject to IHT. Indeed, in the 2023/24 financial year UK Government IHT receipts reached a record high of £7.5 bn<sup>2</sup>.

Inheritance Tax is sometimes referred to as a 'voluntary tax' because with some prudent forward planning, it can be entirely avoidable. If you think your estate may exceed the level at which IHT becomes payable either now or in future, there are various actions you take now can avoid or mitigate the tax your estate will pay.



## Divorce

Statistics shows that in 2022 there were 80,057 divorces in England and Wales<sup>3</sup>. Certain assets, such as an inheritance, may be deemed 'non-marital' by the courts, but there's no guarantee that any inheritance you have received or plan to pass on will be ring-fenced in this way<sup>4</sup>.

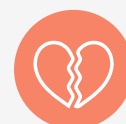
Couples can choose to safeguard assets such as inheritance by signing a prenuptial or postnuptial agreement, and, while not legally binding in the UK, they can influence a court's decision.

## Protecting inheritance: at a glance



# 40%

**Inheritance Tax (IHT)  
is applied on estates  
worth over £325,000<sup>5</sup>.**



# 80,057

**Divorces in England  
and Wales in 2022<sup>3</sup>.**



## Care costs

The average cost of a place in a residential care home in the UK is currently around £41,000 a year<sup>6</sup>. Anyone with over £23,250 in assets is currently ineligible for financial assistance<sup>6</sup> (different limits apply in Scotland and in Wales).

If you are above the £23,250 limit you are obliged to pay the full cost of your care, and any outstanding amount can be claimed from your estate upon death. These rules are set to change in October 2025 where the Government have announced a cap of £86,000 in which anyone in England will need to contribute to the cost of their care<sup>7</sup>. However it is important to note that the cap only applies to the cost of care and not daily living costs.

There are a number of solutions available which enable you to cover your own care costs and ensure you are still able to provide for loved ones after you're gone.

## Protecting inheritance: at a glance



# £41,000

The average cost of a place in a residential care home in the UK<sup>6</sup>.



## Second marriages

With blended families, questions may arise when considering how to ensure your direct descendants benefit from your legacy.

For example, should a spouse remarry after your death, it's possible that some of the assets you left them – expecting these would be passed on to your children – could go to your spouse's new partner and their children. Making provisions for children from a previous marriage, your spouse and any children you may have together are all important considerations.

If the necessary steps aren't taken to allocate your assets according to your wishes, there's no legal guarantee that your children will receive their intended inheritance.



## In-laws

If for any reason you are uncomfortable with a son-in-law or daughter-in-law having access to the estate your child is due to inherit, perhaps in the event of a divorce or premature death, there may be a number of ways in which inherited assets can be protected to follow the bloodline, or even skip a generation.

## We're here to help

For more information or to discuss anything surrounding inheritance, contact your financial adviser.

### Sources:

<sup>1</sup><https://www.gov.uk/government/publications/rates-and-allowances-inheritance-tax-thresholds-and-interest-rates/inheritance-tax-thresholds-and-interest-rates>

<sup>2</sup><https://www.statista.com/statistics/284325/united-kingdom-hmrc-tax-receipts-inheritance-tax>

<sup>3</sup><https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/divorce/bulletins/divorcesinenglandandwales/2022>

<sup>4</sup><https://www.divorce.co.uk/your-finances/inheritance>

<sup>5</sup><https://www.moneysavingexpert.com/family/inheritance-tax-planning-ihf/#:~:text=In%20the%20current%20tax%20year,such%20as%20children%20or%20grandchildren.>

<sup>6</sup><https://www.ageuk.org.uk/information-advice/care/paying-for-care/paying-for-a-care-home>

<sup>7</sup><https://www.ageuk.org.uk/information-advice/care/changes-to-social-care/#:~:text=As%20part%20of%20its%20Autumn,this%20is%20now%20October%202025.>

Approver: Quilter Wealth Limited, Quilter Financial Limited, Quilter Financial Services Limited & Quilter Mortgage Planning Limited. Quilter Financial Planning Solutions Limited. June 2024.