IHT, pensions and gifts in wills

How IHT changes could be transformational!

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Today, I will cover



What's happening with IHT?

Why it matters?

Things to consider. Things to avoid

Before we start, a quick question!

As fundraisers, what word or phrase springs to mind when you hear the words **‘Inheritance Tax’?**

Inheritance Tax (IHT): The headlines

- From 2027, unused pension funds and death benefits to be included in estate values for IHT calculations.
- Personal representatives (executors) to be responsible for identifying and securing pension assets.



Why this is important?

The numbers:

- **Only 4.4% estates attracted IHT in 21/22 (HMRC)**
- **But…around half of all legacy income (£2.1bn) comes from those estates**
- **And… >£900m came from estates making use of the '10% incentive' (HMRC 21/22)**
- **>80% of solicitors now 'always or sometimes' prompt for gifts in wills – up from 58% 2012.**

The impact:

- **IHT currently affects a small proportion of estates but is disproportionately important, value wise.**
- **IHT is the main reason why professional advisors raise topic of gifts in wills**
- **Professional advisors who mention legacies write nearly twice as many charitable wills**



Inheritance Tax changes: Opportunities

The numbers:

- Proportion of estates attracting IHT projected to double (to 9.5%) by 2030 – OBR 2024
- 92% of Professional Advisers think estate and tax planning will become even more important:
- 60% say they are already receiving more requests for advice; 62% of PAs think more people will consider leaving a gift to charity

The impact:

- If retained, charitable tax incentives even more relevant and impactful
- More people seeking advice: Legacy giving increasingly normalised?
- Wealth advisors may become increasingly important and potentially, even more open to prompting



Inheritance Tax changes: Risks

- Public may ’feel’ like they’ve less to give away to charities. A return to the perception legacies only for the wealthy?
- Fundraisers forget IHT is not primary motivation; most gifts will still come from estates that don’t incur IHT…
- Increased focus on IHT may be a barrier to some legacy conversations – reinforcing (mis)perception of legacies being ‘technical’ or ‘difficult’ subject.
- Abolition of ‘deeply unpopular’ ‘death tax’ may become appealing to opposition parties. OR fiscal pressures may lead to tightening or removal of charitable incentives.
- Extra complexity for executors. More mistakes and/or slower gift distributions



Meet Margaret and Anthony?

- Margaret and Anthony, married 35 years
- Live in 3-bedroom semi in Guildford
- Their two grown-up children and their 5 grandchildren are main beneficiaries of their will
- Mirror wills, drafted in 2020 include pecuniary gifts to 3 charities (Ramblers, Oxfam and Local Hospice).



What might this mean for Margaret and Anthony?

- **Their estate *may* now attract IHT**
- **They may receive (even) more adverts targeting them for financial advice, wills writing (inc. from charities)**
- **Confusion, worry and decision to redraft their will…**
- **More stress for the surviving partner or their children when executing their wills?**



What might this mean for fundraisers?

- Need for relevant information on website, updated legacy guides, more signposting.
- Stewardship may become even more important
- Enhanced audience segmentation?
- More collaborations with philanthropy teams?

Considerations?

- Education the key, but who educates and what does this do for supporter experience?
- More sector collaborations?



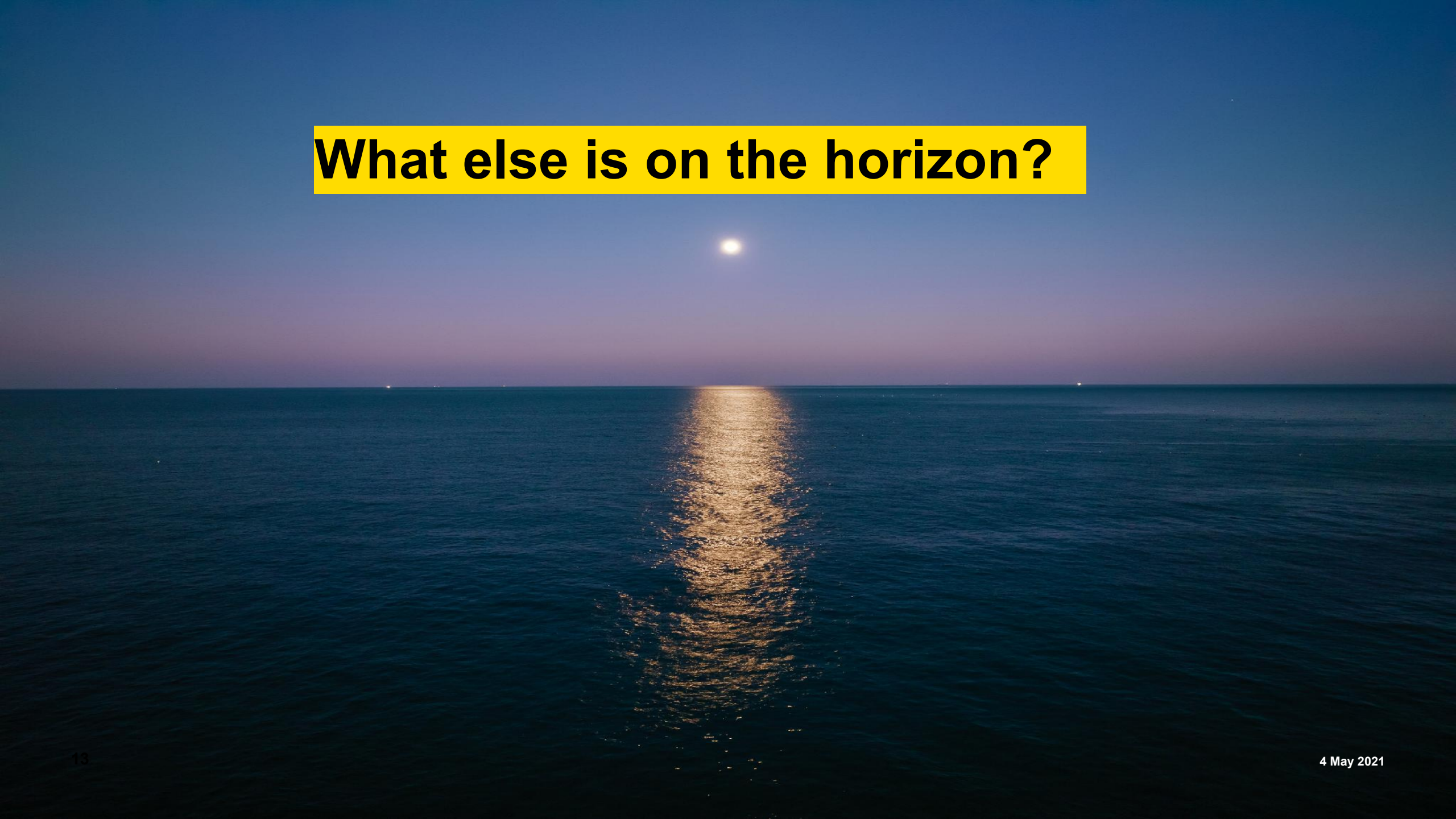
What might this mean for charities?

- More legacies: Additional Legacy Management resources required?
- Probate delays and impact on legacy income flows from financial year 2027/28?
- Even more integrated fundraising activity and audience centric approaches?
- Collective education, sector partnerships and/or lobbying?



What should we avoid?




What else is on the horizon?

New PM, new approach, new debates?

NCVO is optimistic:

- Based on PM's record of involving the voluntary, faith, and charity sectors directly on high-level decision-making boards.
- Opportunity to embed charities into national and local policymaking.

PM and IHT:

- When Health Secretary, Burnham advanced the case for a Care Levy, replacing the standard 40% IHT rate above £325,000 with a broader flat levy (historically floated around 10%) applied to estates upon death. The policy aligns with his broader stance that the UK unfairly taxes work (income) more heavily than accumulated wealth or capital
- RAC has written to Burnham and John Healey.

- Reform UK, Conservatives?



Any Questions?

