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## Estate planning – Take control of your estate and legacy

Steps you can take to help you take control of your estate and provide for the people you care about

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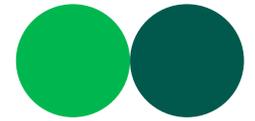
## Please note

This guide is for long term UK residents. We always recommend speaking to your adviser before making any decisions regarding your investments.

As with any kind of investment the value of investments can go down as well as up. This means you could get back less than you invest.

Laws and tax rules can always change in the future. Your own circumstances and where you live in the UK could have an impact on tax treatment.

# What is estate planning?



**Estate planning is about making sure your money, property, and possessions are dealt with on your passing and go to the people you care about most. It's about having control, both now and in the future.**

It can also help minimise tax liabilities, avoid disputes and protect your loved ones. You might also hear it being referred to as wealth transfer, intergenerational planning or asset protection.

## Key steps to estate planning

A helpful first step in estate planning is to assess the total value of your assets. This will help you determine whether your estate might be subject to inheritance tax.

### Reduce potential inheritance tax (IHT)

Should you find your estate does exceed the Inheritance tax allowances, you may want to consider trying to reduce the liability. Some gifts are exempt from inheritance tax when made during your lifetime. Making use of these exemptions can reduce the taxable value of your estate, helping you pass on more.

### Making a will

A will ensures your possessions are distributed according to your wishes and helps ease the burden on your family during a difficult time.

### Set up a power of attorney

Appointing someone you trust to manage your finances if you become unable to manage them yourself ensures your affairs can continue without disruption.

### Nominate pension beneficiaries

Your pension pot isn't usually covered by your will. To ensure it goes to the right people, complete your pension provider's beneficiary nomination form.

### Make use of trusts

Trusts offer flexibility, control, and tax efficiency. They can help to mitigate tax but also allow you to control when and how assets are distributed to your chosen beneficiaries.



# Inheritance tax

Historically, in the UK, IHT has been seen as something that only the wealthy pay. However, with allowances being frozen for several years and house prices increasing, owning your own home and having savings to meet retirement needs, could leave your estate with an inheritance tax liability.

You may be happy for your estate to pay some tax when you pass away, however without proper planning and guidance, the inheritance tax bill your beneficiaries face could be significant and more than you would like. IHT may also need to be paid before your estate can be distributed and this can add unnecessary stress at an already difficult time.

By understanding your potential liability and putting plans in place now, you can help reduce that burden and gain peace of mind knowing your estate will benefit the people you care about most.

## How is inheritance tax charged?

Inheritance tax is currently charged at a rate of 40% on the value of your estate that exceeds the allowances available when you die. There are also occasions when IHT can be charged on gifts made during your lifetime.

## Does everyone in the UK have to pay inheritance tax?

Whether you're liable for inheritance tax in the UK depends on your residency status, not just where you live now.

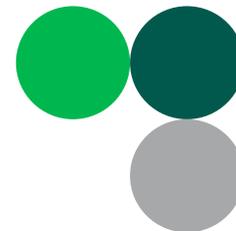
Inheritance tax is based on long-term UK residency. If you've been a UK tax resident for 10 or more of the past 20 tax years, you'll be classified as a long-term resident. This means your worldwide assets may be subject to UK inheritance tax—even if you no longer live in the UK.

Even after leaving the UK, you may still be liable for IHT for up to 10 years, depending on how long you were resident before your departure. This is known as the "inheritance tax tail".

Understanding your residency status is crucial, as it directly affects how IHT applies to your estate. If you think this may impact you, it's important to speak with a financial adviser for tailored guidance.



# Calculating your potential inheritance tax liability



## Step 1 – Total the value of your assets

Many people aren't sure of their total net worth and even a well-informed estimate can overlook certain assets. When calculating your estate, you will need to consider all the assets you own. This could include the following:

- Your home.
- Any other property e.g. holiday home or rental property.
- Your possessions including jewellery, watches or artwork.
- Cars, boats, caravans.
- Cash including cash ISA and bank accounts.
- Investments including any shares.

You should also consider any asset that may enter your estate when you die, such as a life insurance policy that is paid to your estate.

From April 2027, the value of unused pension funds will also be included within the estate.

## Step 2- Deduct any debts from the value of your assets

Once you have the total value of your assets, any debts your estate could have to pay also need to be considered. This could include the following:

- Funeral expenses.
- Outstanding loans.
- Credit cards or overdraft.

Once debts have been deducted, any available allowances are applied to reduce the amount of the estate subject to IHT.

## Step 3 – Deduct any available allowances

Allowances that may be available for your estate:

### Nil rate band (NRB) – £325,000

Everyone has a NRB allowance of £325,000 to use against their estate. If the value of your estate is £325,000 or less there will usually be no IHT to pay. Once your estate value is over the NRB then IHT is charged at 40% unless another allowance is available.

This allowance can be reduced by any gifts, either to an individual or to a trust, you made in the previous seven years.

If you die and leave your entire estate to your spouse or civil partner, there's no IHT to pay. Assets which pass using the spousal exemption do not use the NRB. Any unused allowance can be transferred to your spouse or civil partner to use against their estate when they die.

This is known as the transferable nil rate band. It means that on the second death the surviving spouse can have a total NRB allowance of up to £650,000.

### Residence nil rate band (RNRB) – £175,000

This allowance is available if you have left your home or a share of your home to your children or grandchildren. Again, if you die and your share of the home passes to your spouse then the RNRB will go unused and can be passed to your spouse to use against their estate when they die.

The RNRB begins to be withdrawn if your estate is more than £2 million. You will not be entitled to any RNRB if your estate is more than £2.35 million. This figure rises to £2.7million if you also have a full transferable RNRB from a deceased spouse or civil partner.

The RNRB and NRB combined can mean that you could leave an estate of up to £500,000 before any inheritance tax is due. If there are unused transferable allowances from a spouse or civil partner, this increases to £1 million, helping you pass on more of your wealth to your loved ones.

## Step 4 – Calculate the inheritance tax bill

Once you have deducted any debts and any available allowances from your estate value in steps 2 & 3, inheritance tax of 40% is applied.

### In Summary

Total assets	Total deductions	Value of your estate subject to Inheritance Tax
Value of your estate	Any debt Any NRB Any RNRB	Value that could attract an inheritance tax charge at 40%

Speak to your financial adviser if you would like to know more about the allowances available to your estate and calculating your potential liability.

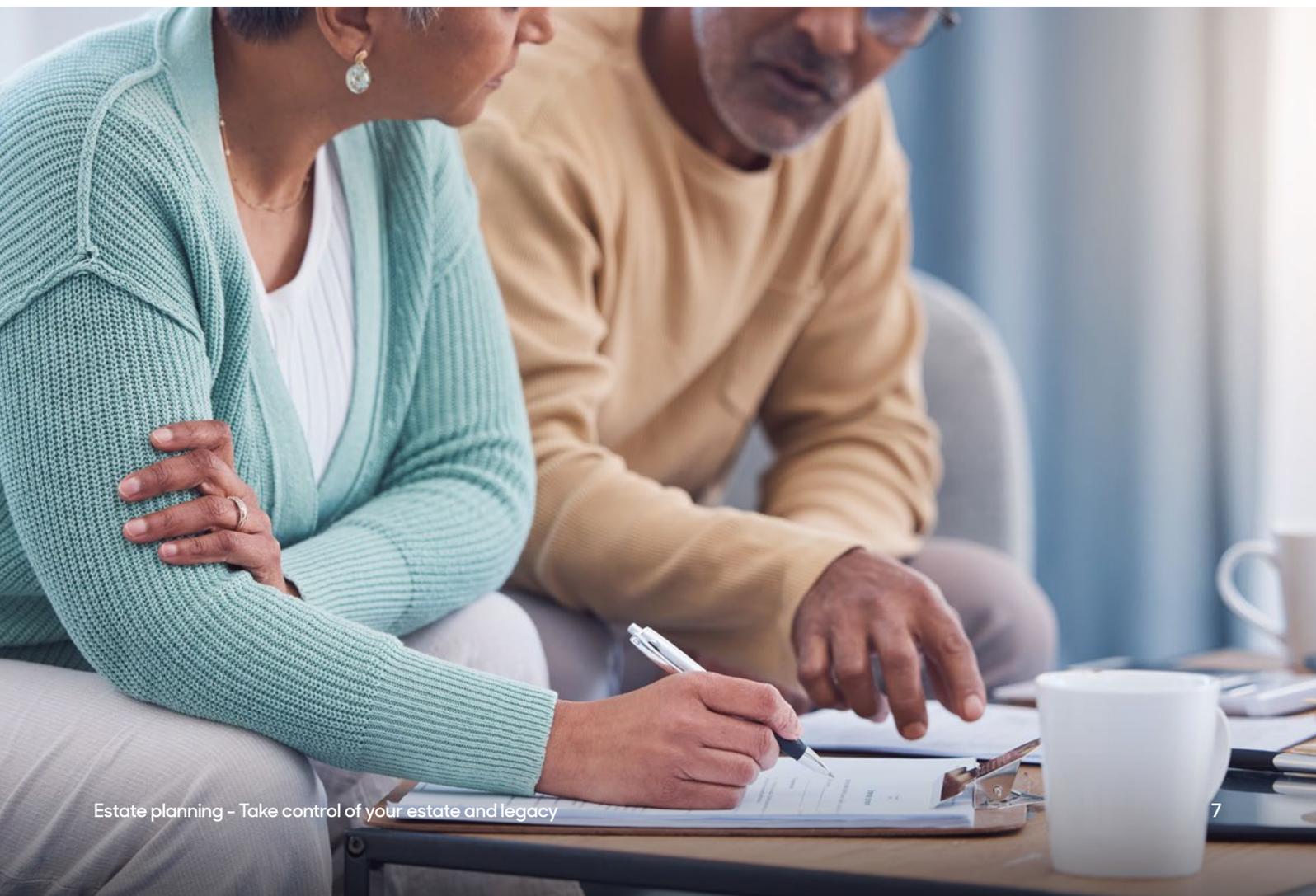
**Example 1 – A single person leaving their estate including their main residence to their children.**

<b>Asset</b>	<b>Value</b>
House	£600,000
Car	£35,000
Cash ISA	£200,000
General investment account	£300,000
Total	£1,135,000
<b>Less debt</b>	
Outstanding loan	-£20,000
Credit cards	-£10,000
Net estate	£1,105,000
<b>Less allowances</b>	
Nil rate band (NRB)	-£325,000
Residence nil rate band (RNRB)	-£175,000
Estate subject to inheritance tax	£605,000
<b>Inheritance tax at 40%</b>	<b>£242,000</b>



**Example 2 - A married couple leaving their estate to each other and then their children. The below illustrates the inheritance liability on the second spouse passing away.**

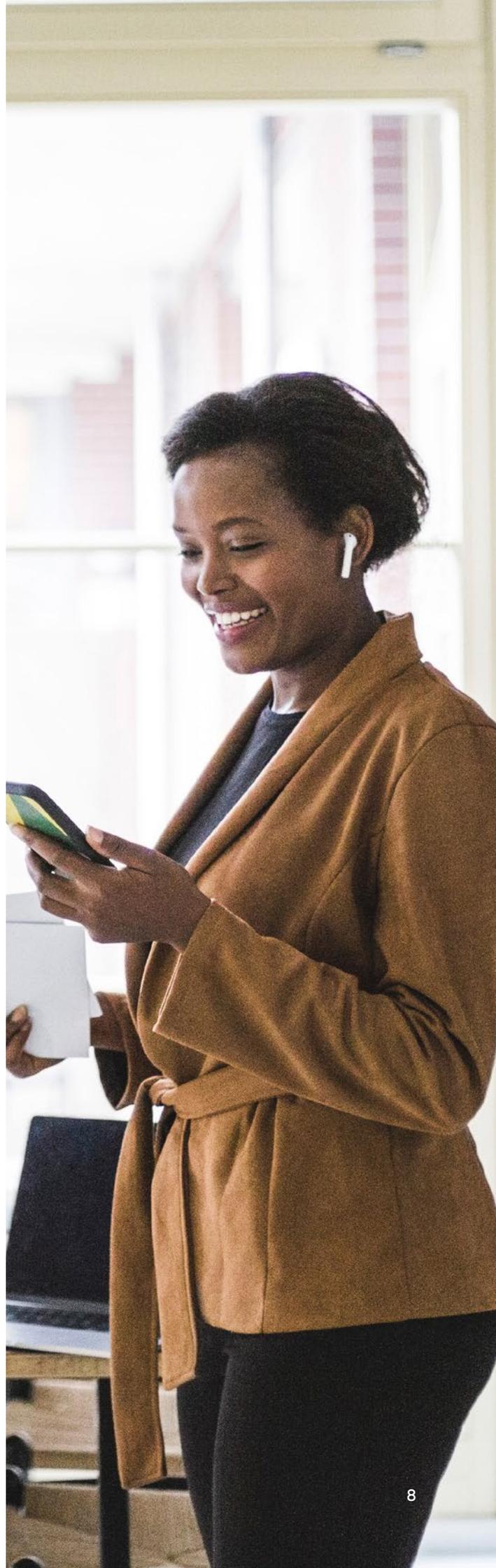
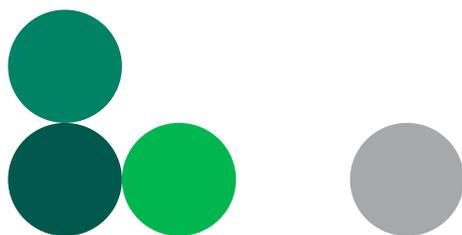
Asset	Value
House	£600,000
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General investment account	£300,000
<b>Total</b>	<b>£1,135,000</b>
<b>Less debt</b>	
Outstanding loan	-£20,000
Credit cards	-£10,000
<b>Net estate</b>	<b>£1,105,000</b>
<b>Less allowances</b>	
Nil rate band (NRB)	-£650,000
Residence nil rate band (RNRB)	-£350,000
<b>Estate subject to inheritance tax</b>	<b>£105,000</b>
<b>Inheritance tax at 40%</b>	<b>£42,000</b>



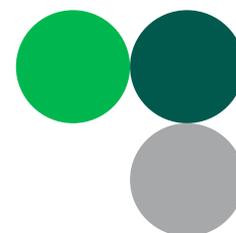
## Are your assets below your inheritance tax threshold?

If your estate is less than the available nil rate bands you don't need to worry yet about losing some of your estate to pay an inheritance tax bill. However, you may want to think about protecting your assets now and in the future, so that they'll end up in the hands of the people you chose when you die. A trust could still be beneficial, and a will is essential. Make sure you read these important sections.

If the value of your assets does mean your estate could be subject to IHT, then you might want to consider doing some planning to reduce it. Reducing potential inheritance tax doesn't have to be complicated. There are straightforward and effective steps you can discuss with your financial adviser.



# Making lifetime gifts



Gifting during your lifetime can be an effective and simple way to reduce your estate. There are some considerations when making lifetime gifts.

## Exempt gifts

Some gifts are completely exempt from IHT at the time they're made. Not only will the gift reduce the estate, if an exemption applies the gift is completely free from inheritance tax even if you die shortly after it is made.

Type of exempt gift	Exempt value
<b>Transfers between spouses or civil partners</b>	<b>Unlimited<sup>1</sup></b>
<b>Annual exemption</b> – You can make gifts every year using this exemption. If you don't fully use it in one year, you can use what's left in the following year.	£3,000 a year (or up to £6,000 if you didn't use it the year before)
<b>Small gift exemption</b> – You can give small gifts to as many people as you like in one tax year up to £250. You can't use it towards the value of a gift for more than £250. And you can't combine it with the £3,000 annual exemption as one gift.	Up to £250 a year per gift per recipient
<b>Gifts on marriage</b> – You can make a gift to a family member or friend who is getting married or entering a civil partnership. How much is exempt depends on your relationship to the recipient.	£5,000 from each parent £2,500 from each grandparent £2,500 by the bride and groom to each other £1,000 to anyone else
<b>Gifts to charities</b>	<b>Unlimited</b>
<b>Normal expenditure out of income</b> – Regular gifts made from surplus income could be exempt. But you need to prove that you have enough income left to maintain your usual standard of living. There must also be an established pattern to the gifts.	Varies, depending on your surplus income

<sup>1</sup> If the spouse you are transferring to is not a UK long term resident, i.e. has not been in the UK for 10 out of the last 20 tax years, then this exemption is limited to £325,000.

## Gifts that could be subject to inheritance tax

### Potentially exempt transfers (PET)

These gifts will be exempt from IHT if you live for seven years after making them. If you die within seven years of making the gift, the value of the gift will use the nil rate band before it is applied to the rest of the assets in your estate.

If the gift value was more than the NRB then the excess will be liable to IHT and there will be no NRB available for the rest of the estate.

If the gift was less than the available NRB then there will be no tax on the gift, but the NRB amount for the assets in the estate will be reduced by the value of the gift meaning that the rest of the estate could be subject to more inheritance tax.

### Chargeable lifetime transfers (CLT)

Gifts into certain trusts can be subject to an immediate 20% IHT charge. If you haven't made this type of gift before and the gift is under the NRB then the immediate charge won't apply. If you die within seven years of making a chargeable lifetime transfer additional IHT may be due.

### Inheritance tax taper relief

Inheritance tax taper relief may be available to reduce the IHT bill on the gift, depending on the value of the gift and the years between making the gift and the date of death.



Please speak to your adviser for further information and advice on all aspects of gifting.

### Keeping track

It's important to keep a clear record of any gifts you make. This helps your family claim available exemptions if you pass away within seven years of making them and help ensure the right amount of IHT is paid. Recording who received the gift, its value, and the date it was given can help speed up any queries from HMRC.

# Making a will



## Why a will is important?

A will ensures that everything you've worked hard for during your lifetime passes to the people you want to benefit, and in the most tax efficient way possible. It will also make things easier for your family and friends.

### Reasons for making a will

- To choose the right people to distribute your assets and look after your estate.
- To control who receives your assets and personal possessions.
- To provide for your children and appoint a guardian, if needed.
- To request your preferred funeral arrangements.
- To leave money to your favourite charity.

## Get advice and keep up-to-date

We recommend that you seek professional advice when it comes to legal matters to make sure your assets are protected for your family and friends.

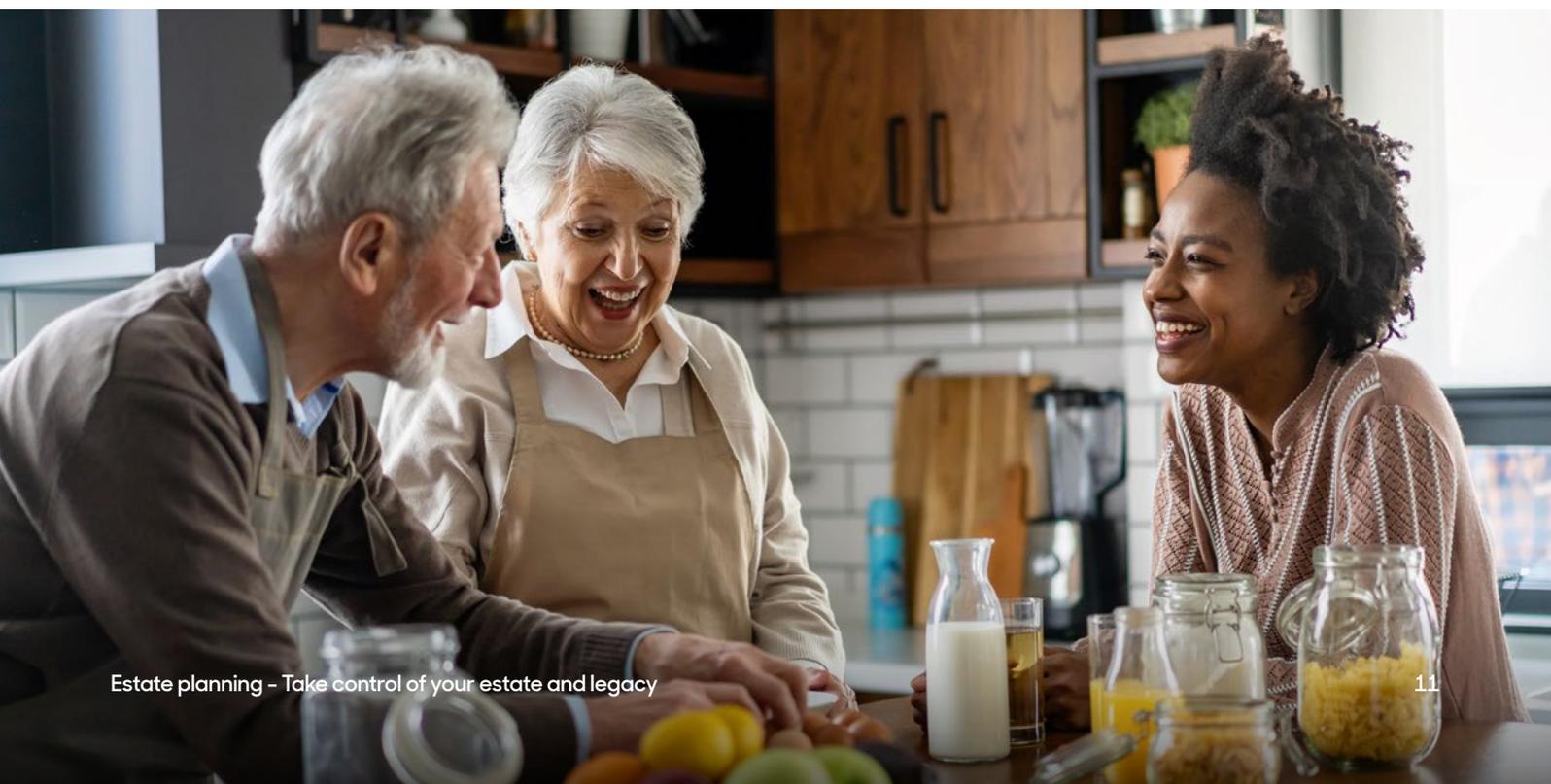
You also need to keep your will up to date as events such as marriage, divorce, changes to your family or legislation can impact who will be entitled to receive your assets. It's also important to ensure that it reflects your current wishes.

## What happens if I don't have a will?

Without a will, the law decides how your estate is distributed, which may not reflect your wishes. Your spouse or civil partner might not automatically inherit everything, and any children who may inherit would receive their share at age 18 (or 16 in Scotland), which you may feel is too young. Creating a will gives you control. It allows you to protect your assets, ensure they go to the people you care about, and specify the age at which your children inherit.

## Do your family and friends know where to find your will?

You can share a photocopy of your will with your executors or family members. If your will was professionally prepared, you can request additional copies once it has been finalised and placed into storage. By sharing a copy, this ensures that your loved ones are aware that a will exists, who prepared it, where it is stored, and what it contains. If you have a financial adviser, it's a good idea to ask whether they would like a copy of your will. Providing this can help ensure they are fully informed about your chosen beneficiaries and can offer advice that aligns with your wishes.



# Power of attorney

## What is it for?

A Lasting Power of Attorney (Continuing Power of Attorney in Scotland or Enduring Power of Attorney in Northern Ireland) allows you to appoint someone you trust to manage your finances if you're unable to do so due to illness or injury. This helps ensure your financial affairs can continue smoothly while you are unable to deal with them. You can also choose to put in place a separate power covering decisions about your health and personal welfare.

## Why you might need one?

If you become unable to manage your finances and haven't set up a power of attorney, your family may need to apply to the courts to be given authority to act on your behalf. This process can be time-consuming, costly, and stressful especially during an already difficult time. Putting a power of attorney in place now can save your loved one's time, money, and worry.

## Getting the right guidance

Legal advice is recommended, as the power of attorney document must be signed and registered correctly to be valid. A solicitor or your adviser can guide you through the process to ensure everything is set up properly.



# Dealing with your pension

## Nominating pension beneficiaries

Pensions are no longer limited to only providing a fixed income for life and now offers greater flexibility—allowing you to save, spend, and pass on your pension wealth in a tax-efficient way. If you die before accessing your pension, the funds can be passed to your nominated beneficiaries, who may access them at any age—without waiting until the minimum pension age of 55 (rising to 57 from April 2028).

### Why your will isn't enough

Your will won't usually determine who inherits your pension. To ensure your wishes are followed, you'll need to complete a beneficiary nomination form.

### What happens when you die

Aberdeen (or your pension provider) will consider your nomination when deciding who receives your pension death benefits. If your nominated beneficiaries are selected, they can choose to:

- Take a lump sum.
- Purchase a guaranteed income for life (annuity).
- Keep the pension invested and draw income flexibly (inherited drawdown), with the ability to nominate future beneficiaries.

If you die before age 75, these benefits are typically free from income tax, regardless of which option your beneficiaries choose.

Typically, pensions death benefits are paid free of IHT. However, this is set to change from 6 April 2027 when most unused pension funds will form part of the estate for IHT unless they are paid to a spouse or civil partner.

### Want more control? Consider a bypass trust

If you have complex family circumstances—such as children from previous relationships—or want to ensure beneficiaries receive funds at a specific time or age, a bypass trust may be a suitable option.

#### With a bypass trust:

- You appoint trustees to manage how and when funds are distributed.
- Trustees can follow your letter of wishes for guidance.
- The trust can provide tailored support for young or vulnerable beneficiaries.
- However, if you die aged 75 or over, a 45% income tax charge will be deducted before the lump sum is paid into the trust.

#### Is a bypass trust right for you?

A bypass trust offers greater control but comes with additional tax and administrative considerations. It may be especially useful if:

- You want to protect assets for future generations.
- You have blended families or complex family relationships.
- You're concerned about beneficiaries' ability to manage money.

Speak to your financial adviser to explore whether this option suits your needs.

# Planning using trusts

You might be ready to make a financial gift, but you might be concerned about giving up control over how it's used. If the recipient is young or not yet financially responsible, especially in the case of children or grandchildren, a trust can be helpful to stay involved in how the gift is managed.

## Three key questions to consider when thinking about a trust:

1. **Will you need access to the money later?**  
Are you confident you won't need to access the funds in the future?
2. **Who will act as trustees?**  
You can appoint yourself as one of the trustees, giving you a say in how the trust is managed.
3. **Who are your beneficiaries?**  
Do you know exactly who you want to benefit now, or might that change over time?

Different types of trusts offer different levels of flexibility depending on your answer.

## Types of trust to consider

- **Absolute trust** – Beneficiaries are fixed from the outset and cannot be changed.
- **Discretionary trust** – Offers more flexibility, allowing trustees to decide who receives what and when.

Both absolute and discretionary trusts are available across all of our estate planning solutions Gift Plan, Loan Plan and Discounted Gift Plan.

## Trust registration requirements

If you use an Aberdeen trust that holds an onshore bond or GIA, it must be registered with the UK government's Trust Registration Service (TRS) unless exempt. Trusts holding Irish offshore bonds (such as the Aberdeen Wrap International Portfolio Bond) must be registered with both the UK TRS and the Irish Revenue's Central Register for the Beneficial Ownership of Trusts, unless exempt.

It's the responsibility of the trustees to ensure the trust is registered. If you're using a non-Aberdeen trust and are unsure about your registration obligations, please speak to the solicitor who drafted your trust.



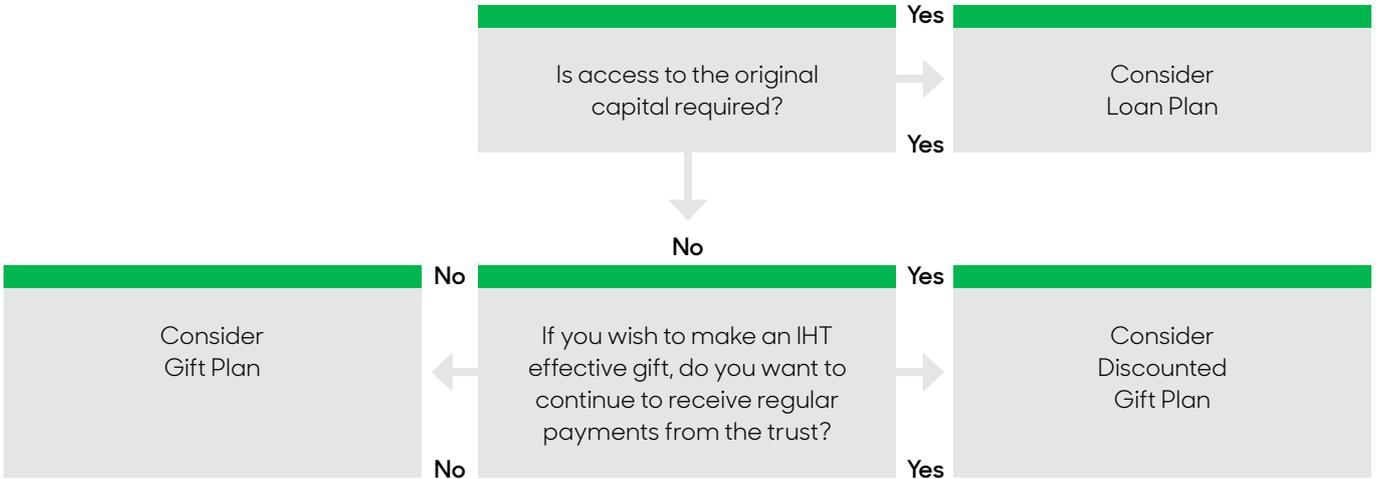
Please speak to your adviser for further information and advice on trusts.



# Which solution is right for you?



## Choosing the right solution



### 01

#### Gift Plan

**Suitable for those:**

- wishing to make an outright gift.
- who do not require access to capital or income.

### 02

#### Loan Plan

**Suitable for those:**

- who are not ready to make an outright gift.
- who may require access to capital as a lump sum or regular payments.

### 03

#### Discounted Gift Plan

**Suitable for those:**

- who wish to make an IHT-effective gift.
- but require regular payments for life.

## Trusts that hold an investment bond

Aberdeen offers a variety of trusts designed to hold investment bonds, each offering different features depending on your needs—particularly whether you want to retain access to the money in the future.

When you make a gift into trust, any investment growth is generally excluded from your estate for inheritance tax purposes. The case studies below assume you've set aside money that you don't expect to need, and that could be used to support your children or other beneficiaries.

However, if you decide a loan trust is right for you, any outstanding loan balance will still be included in your estate when you die.

Please note: the case studies are for illustrative purposes only and should not be considered financial advice. We are not recommending that you follow the approaches shown.

# Loan Plan

## Loan Plan

If you like the idea of using a trust but aren't quite ready to give away your money permanently, the loan plan could be a good fit. It allows you to lend money to a trust while keeping access to it through flexible repayments. You can choose how much to withdraw and start or stop repayments whenever it suits you.

As the investment bond grows in value, that growth sits outside your estate, potentially reducing any IHT liability. And if, in the future, you decide you no longer need the money, you can choose to waive the loan, effectively turning it into a gift.



### Case Study

Moira is in her late 70s and wishes to make a gift to her grandchildren. All the grandchildren are still quite young and she is not sure if there will be more grandchildren in the future.

Moira also doesn't want to give away her capital as she would like to use it to pay for a holiday every year.

#### The solution

Moira decides to set up a Loan Plan and loan the trustees £200,000 and they invest it into an Aberdeen investment bond.

She opts for a discretionary trust version of the loan plan so that the trustees can control when her grandchildren receive the money and any future grandchildren born after the trust is set up can still benefit from it.

#### The outcome

Moira can receive £10,000 a year as a loan repayment from the trust to fund her holidays.



# Discounted Gift Plan

## Discounted Gift Plan

This plan offers a balance between keeping some financial benefit for yourself and making a meaningful gift to your loved ones. You decide upfront how much you want to give away and how much you'd like to receive as regular payments. These payments continue for life or until the trust fund is fully used.

Because you're making a gift, a seven-year period begins. If you pass away within those seven years, your estate may be subject to inheritance tax. However, the taxable amount is usually reduced by a "discount," which reflects the value of the regular payments you've chosen to receive.

The discount is calculated when the plan starts, based on your age, health, and the amount of income you've requested. We'll provide an estimate of the discount, but it's not guaranteed. When you die, HMRC may reassess the discount and adjust the taxable value accordingly.



### Case Study

Daniel is 68, divorced with two children and recently retired. He is concerned his estate is going to exceed his allowances when he dies and so would like to undertake some inheritance tax planning but is worried his income will not cover his lifestyle if he gives up access to his capital completely.

#### The solution

Daniel gifts £300,000 into a Discounted Gift Plan and elects to receive payments of £1,000 a month. After underwriting it is determined he will receive a discount of £123,300 which reflects the value of his retained payments. This means the value of the gift Daniel is making for IHT purposes is reduced to £176,700.

#### The outcome

There is no IHT when Daniel sets up the trust as he has made no previous gifts to a trust. He has reduced his estate by £300,000 but the value of the gift for IHT if he dies within seven years is £176,700, saving him £49,320.



# Gift Plan

## Gift Plan

If you're confident you have capital you won't need in the future, the gift plan could be a simple and effective way to support your family. By giving away a lump sum now, the value of that gift will usually fall outside your estate after seven years potentially reducing any IHT liability.



### Case Study

Thomas and Emily have a sizable estate and an IHT issue. They want to help pay for their grandchildren's university fees and potentially a deposit for a house in the future but currently the grandchildren are still quite young.

Thomas and Emily do not need the capital and have no concerns about needing it in the future.

#### The solution

They decide to gift £400,000 to a Gift Plan under a discretionary trust. This is used to buy an Aberdeen investment bond.

Thomas and Emily can be trustees and decide when their grandchildren receive the money.

#### The outcome

Thomas and Emily have reduced their estate by £400,000 and if they live more than seven years after setting up the trust the gift will not be subject to inheritance tax.

Any increase in the value of the bond will not be part of their estate even if they die within seven years.



Each type of trust has different tax implications. So you should always take professional advice if you're considering a trust.

The amounts in these case studies are examples only and should not be treated as financial advice. As with any investment the value within an investment bond can go down as well as up and may be worth less than you invested.



**If you have a financial adviser, please speak to them.**

**Alternatively, if you don't have an adviser, you can call us on 0345 297 1001 and we'll be happy to help. Call charges can vary.**

**This guide is based upon Aberdeen Group's understanding of UK law and HM Revenue & Customs practice in the UK as at April 2025. Tax and legislation are likely to change. Tax treatment depends on individual circumstances.**

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