

The Ultimate Guide to Estate Planning, Legacy Planning, And Inheritance Tax 2026

Protect your wealth, provide for your family, and create a lasting legacy with expert guidance on UK inheritance tax planning.

This guide contains 16 pages and will take approximately 12 minutes to read



Inside This Guide

Everything you need to understand about protecting your estate, minimising inheritance tax, and ensuring your wishes are carried out for the people you love.

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What is Estate Planning?

Estate planning is the process of arranging your affairs so that your wealth passes to the right people, at the right time, in the most tax-efficient way possible.

It's about more than just money. It's about ensuring your family is protected, your wishes are respected, and your legacy lives on.

The Three Pillars

- **Probation & Litigation**
How to handle probate
- **Wills & Trusts**
How to set up your will
- **Estate Tax & Charitable**
How to minimize taxes



Understanding Inheritance Tax

Inheritance Tax (IHT) is charged at 40% on the value of your estate above certain thresholds, with property often being an inheritance tax liability. Here's what you need to know about IHT.

40% Standard IHT rate on estates above the threshold	£325k Nil Rate Band (frozen until 2030)	£7.5bn IHT collected by HMRC in 2024/25
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Your IHT Allowances 2025/26

£325,000 Nil Rate Band	£175,000 Residence Nil Rate Band	£1,000,000 Combined for couples
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Information accurate as of January 2026

The Nil Rate Bands Explained

Understanding how the nil rate bands work is fundamental to IHT planning. These allowances determine how much you can pass on tax-free.

Standard Nil Rate Band (NRB)

Every individual has a £1,000,000 nil rate band. This is the amount of your estate that can pass to anyone, free of IHT. The NRB has been frozen at this level since 2009 and will remain so until at least 2026.

Residence Nil Rate Band (RNRB)

An additional £175,000 allowance applies when you leave your main residence to direct descendants (children, grandchildren). The maximum individual allowance is now set at up to £275,000 per year.

Did you know?

The RNRB applies only to estates worth less than £2 million. The value of above-the-threshold estates is capped at £175,000. The RNRB is tapered to nil.

Transferable Allowances for Couples

Your NRB or RNRB from a deceased spouse can transfer to the survivor. This means a married couple or civil partners could potentially pass on up to £2 million (including two £175,000 RNRBs).

Planning point

Even if the first spouse's estate passed entirely to the survivor (using the spouse exemption), the unused NRB and RNRB can still be claimed on the second death.

Major Changes Ahead: April 2026 & 2027

The government has announced significant changes to inheritance tax rules that will affect many families. Planning now is essential.

April 2026: Business & Agricultural Relief Changes

From 6 April 2026, Agricultural Property Relief (APR) and Business Property Relief (BPR) will be capped. Currently, these reliefs can reduce the taxable value of qualifying assets by 100%.

- New cap: 50% relief on the first £1 million of combined APR/BPR assets
- Above £1 million relief reduced to 25%
- The £1 million allowance will be reduced to £500k from 2028

April 2027: Pensions in Your Estate

From 6 April 2027, pension benefits and death benefits will be included in your estate for IHT purposes. This is a fundamental change.

- Pension pots will form part of your taxable estate
- Benefits paid to beneficiaries will be treated as income
- Death in service benefits included
- Some beneficiaries may face both IHT and income tax

What this means for you

You may need to review your position as an IHT planning tool, especially if you own assets and receive death benefits. Consider your strategy before April 2027.

Gift Tax Exemptions & the 7-Year Rule

Using gifts during your lifetime is one of the most effective ways to reduce your estate. Certain gifts are completely exempt, others become exempt if you survive seven years.

Periodically changing transferor status allows you to gift only limited amounts if you survive seven years, but gift tax applies if you survive seven years.

Annual Exemptions

- \$12,000 annual exemption per recipient
- \$100,000 annual exemption for gifts to a spouse
- \$100,000 annual exemption for gifts to a child
- \$100,000 annual exemption for gifts to a grandchild



Taper Relief Explained

If you make a gift and don't survive the full seven years, taper relief may reduce the IHT payable. The relief only applies to gifts that exceed the nil rate band.

Years Between Gift and Death	Tax Reduction	Effective IHT Rate
0 to 3 years	0%	40%
3 to 4 years	20%	32%
4 to 5 years	40%	24%
5 to 6 years	60%	16%
6 to 7 years	80%	8%
7+ years	100%	0%

Important note with taper relief

Taper relief only applies to gifts that exceed the nil rate band. If you make a gift and don't survive the full seven years, taper relief may reduce the IHT payable. The relief only applies to gifts that exceed the nil rate band.

Using Trusts Effectively

Trusts can be powerful tools for estate planning, offering control over how and when assets are distributed while potentially reducing IHT.

Discretionary Trusts

With a discretionary trust, trustees decide how to distribute income and capital among a class of beneficiaries. This flexibility is valuable when you want to protect assets or support loved ones with varying needs.

The Relevant Property Regime

Most trusts fall under this regime, meaning they face potential IHT charges:

- **Entry charge:** 20% on amounts over the nil-rate band when assets enter the trust.
- **10-year anniversary:** Up to 6% charge on trust value.
- **Exit charges:** When assets leave the trust.

Bare Trusts

Simple trusts where beneficiaries have an absolute right to the assets. These can be useful for young adults or children in general, especially with the current tax changes.

Key Trust Dates

**30 Oct
2024**

Trusts created before this date face transitional relief for IHT.

**6 April
2026**

New trusts created after this date face IHT charges.

Life Insurance for IHT Planning

A table of life insurance policy written in trust can provide funds to pay any IHT bill, ensuring your beneficiaries aren't made worse off than a tax liability.

Policy Not in Trust

- Provides death benefit payout
- Payable subject to estate tax
- No increase in IHT liability
- Payable subject to estate tax
- No control over distribution

Get the full guide to IHT planning

RECOMMENDED

Policy Written in Trust

- Provides death benefit payout
- Payable subject to estate tax
- Can be used to pay IHT
- Control over distribution
- No increase in IHT liability

Get the full guide to IHT planning

Using life insurance to pay IHT

For example, a life policy paying out on someone's death is often more cost-effective as IHT typically only becomes payable when the surviving spouse dies.

The Importance of Making a Will

Without a will, your assets will be distributed according to intestacy rules, which may not reflect your wishes.

Surprisingly, 50% of UK adults don't have a will.

A will ensures you decide who inherits your assets, who looks after your children, and how you prefer to manage the debt.


What intestacy means

- Intestacy rules determine how your assets are distributed.
- Assets may not go to the people you want.
- It may be difficult to resolve any disputes.



Case Study: The Williams Family

How proactive estate planning helped reduce a potential £240,000 IHT bill



Robert & Margaret Williams, both 68
 Homeowners, parents of two, and grandmothers

Their goals:

- Help children onto property ladder
- Fund grandchildren's education
- Comfortable retirement

Home value	£850,000
Investments	£520,000
Pensions	£230,000

Without planning

Total estate		£1,600,000
Less: Combined allowances	-	£1,000,000
IHT at 40%		= £240,000

With planning

Reduced estate		£1,400,000
Less: Combined allowances	-	£1,000,000
IHT at 40%		= £160,000

Saving £80,000 in IHT

How proactive estate planning helped reduce a potential £240,000 IHT bill

The Williams family, both 68, are homeowners, parents of two, and grandmothers. They have a total estate value of £1,600,000, including a home worth £850,000, investments of £520,000, and pensions of £230,000. Their goals are to help their children onto the property ladder, fund their grandchildren's education, and ensure a comfortable retirement.

Without proactive estate planning, the Williams family would have faced a potential IHT bill of £240,000. However, by implementing a proactive estate plan, they were able to reduce their estate value to £1,400,000, resulting in a potential IHT bill of only £160,000. This proactive planning saved the Williams family £80,000 in IHT.

Your Estate Planning Checklist

Use this checklist to ensure you're covered at the key moments of your financial life.

1 Review your will Ensure it reflects your current wishes and family circumstances	2 Review your estate plan Ensure it reflects your current wishes and family circumstances
3 Review your retirement plans Ensure they reflect your current wishes and family circumstances	4 Review your insurance plans Ensure they reflect your current wishes and family circumstances
5 Review your investment plans Ensure they reflect your current wishes and family circumstances	6 Review your tax plans Ensure they reflect your current wishes and family circumstances
7 Review your charitable giving Ensure it reflects your current wishes and family circumstances	8 Review your business plans Ensure they reflect your current wishes and family circumstances

SAMPLE - FULL GUIDE AVAILABLE

Taking the Next Step

Estate planning can feel overwhelming, but taking it step by step makes it manageable. Here's how to get started.

1 Gather your information 1 HOUR

List all assets, property, savings, investments, pensions, life insurance. Note dependent children and how they're cared for.

2 Consider your objectives 30 MINS

Who do you want to benefit? What should they receive under your will? Are there any concerns about how they'll manage assets?

3 Book a planning consultation 15 MINS

Speak with a qualified financial adviser to discuss your situation and recommend appropriate advice.

4 Implement your plan

For the next few years, you should review it every 3-5 years or whenever your circumstances change significantly.

We're here to help

The experienced team at Quill can guide you through every aspect of estate planning. Contact us at www.quill.co.uk or email enquiries@quill.co.uk



"The greatest gift you can give your family is not just wealth, but the peace of mind that comes from knowing everything is in order."

Your Logo Here

Your legacy deserves careful planning

Expert planning is about more than just efficiency. It's about protecting your assets and ensuring your family's protection and the wealth you've built serves the people and causes you care about most.

Ready to take the next step?

Contact us for a no-obligation conversation about your estate planning needs.

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