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Wealth Management

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MIDDLE CLASS PARENTS PLAN TO LEAVE AN INHERITANCE WORTH £335,000

New research from Heartwood Wealth Management reveals that middle class parents plan to leave an average inheritance of £335,285, nearly three times as much as the £115,000 they themselves received and £10,000 higher than the current inheritance tax (IHT) threshold of £325,000.

The study, conducted amongst higher earning parents aged over 45¹ shows that one in four parents are planning to gift amounts to their children before they die in order to mitigate inheritance tax.

Parents hope to leave over three quarters (78%) of their estate to their children, 9% to other family members and 6% to their grandchildren. Only 7% is earmarked for charities, friends and religious organisations, according to the findings.

With the last decade seeing a 95%² hike in house prices accounting for much of the increase in inheritance levels, Heartwood warns that over the same period the IHT threshold has risen only 38%,³ leaving millions of middle class families exposed to a 40% tax on inherited assets.

Neil Edwards, head of tax solutions at Heartwood said: "Inheritance tax planning has become an increasingly common headache and many of those families affected are far from being super wealthy. However, most parents are united by a desire to pass on as much as they can untouched by the taxman. While giving amounts to children before you die is one way of dealing with this, there are other solutions that many parents aren't aware of until they consult professional advice.

"In our experience many parents are torn between leaving a meaningful inheritance to their children and helping them to cope with rising education costs, debt and unaffordable house prices. Added to this the escalating costs of elderly care, what many parents aspire to leave their children may sadly end up being far more than what's finally left over."

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| <i>Inheritance planned to go to:</i> | |
| Children | 78% |
| Other family members | 9% |
| Grandchildren | 6% |
| Charities | 3% |
| Friends | 2% |
| Religious organisations / other sources | 2% |

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¹ Bespoke survey by Opinium Research, 1,041 UK adults aged 45+ of social grade A or B, survey conducted 22-25 November 2010

² Source: Halifax House Price Index, Q2/2000 until Q3/2010.

³ Source: HMRC, IHT threshold of £234,000 in April 2000 vs £325,000 as of 1 December 2010

Notes to editors

¹ Heartwood analysis of Office of National Statistics Family Spending report 2009. Excludes tax.

Inflation adjustments based on current blended CPI and RPI figures.

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Heartwood provides integrated investment, tax and retirement planning solutions for ultra high net worth and high net worth individuals from its offices in London and the South East. Heartwood now manages and administers over £1bn of funds for clients.

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