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Inheritance tax planning

Help your clients give a gift not a burden

If your client is gifting substantial amounts of money or assets to a loved one, they'll want them to enjoy that gift to the full. Yet if your client dies within seven years, the recipient can be left with a hefty inheritance tax (IHT) bill to pay. (Excluding gifts to spouses, which are exempt from IHT.)

That's why, at Aviva, we offer a gift inter vivos solution to help mitigate this risk. Once it's in place, if your client dies while IHT is still due on the gift(s), it pays out a lump sum designed to cover the bill. So your client – and their loved ones – can both rest assured.

Key benefits

✓ **Peace of mind for your client** – if something happens to them, their loved ones will receive the amount(s) covered to help fund the tax.

✓ **Reducing premiums** – as your client's level of IHT liability falls, their cover will decrease and so does their premium.

✓ **Quick and simple online applications** – plus you can get an instant decision with our fast track underwriting service.

How to set up our solution for your client

It's simple. To set up our gift inter vivos solution for your client, all you need to do is create five individual Life Insurance+ policies. Using our ALPS platform via a multi-product application and only having to complete one set of application questions once you have selected the policies.

The policies all need to be written in trust for the benefit of the recipient(s) of the gift(s) as otherwise any payout would add to the IHT bill of the donor of the gift.

Each policy should be for an equal amount of cover. And in total, they should cover the amount of tax that would be payable on the amount of the gift that exceeds the nil rate band, You can find the current nil rate band on the HMRC website at: **gov.uk/government/publications/rates-and-allowances-inheritance-tax-thresholds-and-interest-rates/inheritance-tax-thresholds-and-interest-rates**. So if the recipient of the gift had a potential IHT liability of £1,000,000 immediately after the gift, you'd need to set up five policies, each giving £200,000 cover:

The policies have different terms because – as you'll know – taper relief means the IHT tax liability gradually reduces over time until, after seven years, no tax would be owed on the gift if your client died.

Here's a table showing how it works in practice:

Years since gift	0-3	4	5	6	7
Policies in place	5	4	3	2	1
Percentage of IHT owed	100%	80%	60%	40%	20%
IHT liability	£1 million	£800,000	£600,000	£400,000	£200,000
Total cover	£1 million	£800,000	£600,000	£400,000	£200,000

After three years, when the IHT liability drops by £200,000, one policy comes to an end. And the same thing happens every time the IHT liability falls.

Take the next step

Life Insurance+ is available via our adviser website. Or for more information, please speak to your usual Aviva contact.

Need this in a different format?

Please get in touch with your usual Aviva contact if you would prefer this item (**PT05043**), in large print, braille or as audio.

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