ROYAL LONDON

PROTECT YOUR LEGACY

Your Whole of Life cover and Inheritance Tax Planning

Death is understandably a topic that people don't like to think a lot about. But as we all know, it's an unavoidable part of life. So what happens after you are gone, especially to your loved ones, is something that's worth considering now.

Inheritance Tax Planning is not something that only the very wealthy need to be concerned about.

The continuing economic recovery has led to rising property values and pension and investment funds increasing in value. Coupled with the lower level of revenue thresholds (down 40.5% since 2008 for inheritances received from parents*) and a tax rate of 33%*, a tax bill following the death of a loved one is something many people could face.

You can decide who you want to receive your assets, like your home, savings or possessions, after you die. **But did you know that if you leave them to someone other than your spouse or civil partner, they could have to pay a 33% inheritance tax?**

Inheritance tax is payable to the Revenue Commissioners when the value of the assets inherited is higher than a certain threshold amount. For inheritances received from parents this threshold amount is €320,000. Anything over that amount is subject to a 33% inheritance tax.

The threshold is €32,500 where the beneficiary is a grandchild, sibling or niece/nephew of the person who left them the assets. For other people, including couples who live together but are not married to one another or civil partners, the threshold amount is just €16,250. Anything over that is taxed at 33%. For example, a €500,000 inheritance by a child would be liable to €59,400 inheritance tax if the full threshold of €320,000 was available to them. (€500,000 - €320,000 = €180,000 x 33% inheritance tax).

You can use your Whole of Life insurance policy to help offset this inheritance tax liability. You do this by setting it up by what is known as, a Section 72 Life Insurance policy. This is a special insurance policy approved by the Revenue Commissioners under Section 72 of the Capital Acquisitions Tax Consolidation Act 2003. It is taken out specifically to help pay inheritance tax. The money paid out, when it is used to pay inheritance tax, is then not liable to tax.

With enough cover in place you can protect your loved ones from an inheritance tax bill. **Otherwise, they may have to sell the family home or take out a loan to pay the tax**. So setting up a Whole of Life policy this way can ensure that your assets can be passed on and enjoyed by your loved ones rather than being used to pay a tax bill.

For more information on this type of policy and protecting your family's finances, contact your Financial Broker.

*www.revenue.ie – Capital Acquisitions Tax (CAT) Thresholds

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