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## The Importance of a Will for Inheritance Tax Savings and playing the ‘Generation Game’

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Many famous people, including Bob Marley, Rik Mayall, Pablo Picasso, and Prince, died without leaving a Will and this left problems and worries which their respective families had to deal with.

Even those who do make a valid will, do so without carrying out the appropriate Inheritance Tax planning, or they leave it too late for the planning to be effective. However, depending on your circumstances, all may not be lost!

It was widely reported, at the time, that Sir Bruce Forsyth left his entire estate to his wife to avoid Inheritance Tax (IHT) on his Seventeen million pound estate. Ironically, it appears that Bruce was playing ‘*The Generation Game*’. By leaving his entire estate to his much younger wife, whilst at the same time leaving her with a ‘letter of wishes’ requesting that she then immediately gifts a large part of the estate to his children; Bruce was trying to avoid a significant proportion of his estate being taken by HMRC.

### “Higher than a 7”, I hear you say.

The use of the inter-spouse IHT exemption is one of the simplest, and arguably, least controversial tax reliefs around. It is a firm principle in UK Taxation that value on death should pass from one spouse or civil partner to another spouse or civil partner free from IHT and Bruce tried to use this exemption to route his wealth to his children. In carrying out his IHT planning, he was hoping his wife would go along with his wishes, and that she would then survive the gift to the children by more than 7 years.

A ‘letter of wishes’ is not a legally binding document, and therefore, she was technically free to keep all of the estate for herself. In addition, Bruce’s wife needed to survive for seven years after making the gifts to the children because if she were to die within seven years, those gifts would be subject to IHT on her death.

Aptly; Bruce was taking a gamble; would his Widow execute his wishes, and would she then survive for a further seven years? It turns out that Bruce did *Play His Cards Right!* As his wife did execute his wishes and survived for more than 7 years, Bruce’s children received a sizeable portion of his estate tax free.



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## Playing Your Cards Right

If like Bruce, you have a younger Husband, Wife or Civil Partner, you too could avoid IHT by *Playing Your Cards Right*.

This particular tactic only works if the surviving Spouse or Civil Partner ‘plays ball’ and then survives for more than seven years. We do not know why Sir Bruce adopted this particular method to avoid IHT but there are plenty of alternative ways, particularly if you start your planning early. If you are thinking about Inheritance Tax, then remember, as with all things tax related; it pays to get professional help.

## CONTACT US

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