Inheritance Tax: Strategies for Minimizing Tax Liabilities and Maximizing Your Estate

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If one does not plan ahead, one will end up distributing only a small portion of their assets. Before your last days, if you want to ensure that assets are allocated in a willful manner, estate planning is the key.

Fortunately, with the right strategies in place, one can maximize the use of exemptions, leading to a decrease in inheritance tax.

Inheritance tax planning strategies

1.) Creating a testamentary trust

A testamentary trust is a ‘will trust’ or trust under a will that is defined in the testator's will and arises upon his or her death. The testator has the flexibility of having more than one will trust and the possibility of addressing one or all portions of the estate.

One of the smartest moves in Inheritance Tax Planning Trusts is creating a testamentary trust. A testamentary trust can be created for young children or for relatives with disabilities. It is advantageous to create trusts under a will because if you do not do so, then the income received from the estate property is added to the receiver's income, which ends up increasing the tax due. Hence, it is best to distribute income between the trust and beneficiaries. Thus, there will be a separate tax for the income of the trust and the income of the beneficiary.

2.) Gifting

A prudent method in Inheritance tax planning for minimizing tax liabilities is gifting. You can give $15,000 to any individual without paying gift tax. Once you cross the threshold of $15,000, you are liable for paying the taxes. The gift tax range is between 18% and 40%.

You have the freedom to gift to anyone, including,

- A tuition or medical charge
- Your spouse.
- A reputed political organization, and so on.

If you are married, you and your life partner can each give $16,000. It can be given to the same person, leading to a cost of $32,000 per year per giftee. But in case you exceed the limit, you'll need to file a gift tax return with the IRS.

3.) Marital Deduction and Marital Trust

- Marital Deduction

If you are married, then after your death, the property is passed to your spouse, who is completely free of the estate tax obligations. Although marital deductions can turn out to be tricky once the second spouse passes, this is where the concept of portability comes in. Portability gives married couples the power to transfer $10.68 million to their heirs without being burdened with paying federal estate taxes.

- Marital Trust

On the other hand, marital trust is of two types:

- AB Trusts
- QTIP Trusts

4.) AB Trust

AB Trust is a prudent Trusts For Inheritance Tax Planning. It is also known as a bypass trust or credit shelter trust. If you are married, then this can be a powerful tool to utilize in minimizing inheritance taxes. A testamentary trust allows the surviving partner to access the interest and, in certain situations, even the principal of the trust. The main strategy involved in the AB Trust is making two separate trusts after one spouse is no more.

5.) QTIP Trust

The QTIP Trust stands for Qualified Terminable Interest Property. In this trust, income is given to the surviving spouse so that he or she can be well taken care of for the rest of his or her life. The main difference between AB Trust and QTIP Trust is that in QTIP Trust, the surviving spouse does not have access to the asset.

6.) Donations

Donations are an amazing way to serve society and a wise strategy in Inheritance Tax Planning Uk, providing the benefit of being tax-free. If a person makes donations to qualified organizations recognized by the law, then there is no specified limit on the amount you can deduct from your tax returns. On the other hand, non-qualified organizations have a limit of 60% of the gross income of an individual, while the rest of the donations are taxable.

Some of the recognized organizations are as follows:

- Religious organizations
- Political organizations
- Educational organizations
- Scientific organizations
- Non-profit organizations, and so on.

Consult with the best estate planners in London for strategies for minimizing tax liabilities.

Inheritance tax planning is not at all easy. It includes a great deal of decision-making ability and calculative moves to save taxes without any legal complexity. A financial advisor can prove to be of immense help in inheritance tax planning.

An Inheritance Tax Planning Solicitor uses such inheritance tax planning strategies that reduce the overall amount of tax to be paid once they are gone. Estate planners have immense years of experience handling different clients, and thus they can effectively organize straightforward strategies to ensure reducing the amount of inheritance tax as much as they can.

Inheritance tax is one of the leading Inheritance Tax Planning UK. They have the best estate planners and tax advisors in London. You can easily book an online consultation on the website and talk to the experts to get clarity on tax matters.

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