



Get peace of mind with this
complete guide to organising an estate

Wills, Probate & Inheritance Tax

FOR
DUMMIES[®]

2nd Edition



Julian Knight

Personal Finance Editor, The Independent on Sunday

A Reference for the Rest of Us![®]

 **UK Edition**

***Wills, Probate &
Inheritance Tax***

FOR

DUMMIES[®]

2ND EDITION

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Inheritance Tax***

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2ND EDITION

by Julian Knight



John Wiley & Sons, Ltd

Wills, Probate & Inheritance Tax For Dummies,® 2nd Edition

Published by
John Wiley & Sons, Ltd
The Atrium
Southern Gate
Chichester
West Sussex
PO19 8SQ
England

E-mail (for orders and customer service enquires): cs-books@wiley.co.uk

Visit our Home Page on www.wileyeurope.com

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Published by John Wiley & Sons, Ltd, Chichester, West Sussex

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British Library Cataloguing in Publication Data: A catalogue record for this book is available from the British Library.

ISBN: 978-0-470-75629-4

Printed and bound in Great Britain by Bell and Bain, Glasgow

10 9 8 7 6 5 4 3 2



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Julian Knight is the author of *Retiring Wealthy For Dummies*, *The British Citizenship Test For Dummies*, and *Cricket For Dummies*.

Dedication

To Val, my mother, for her love, support, and working so hard to give me the best.

And to Charlotte de Veras (1973-1999) for always being right.

Author's Acknowledgements

Great thanks to Francis Klonowski, one of the UK's leading financial planners, for all his help and advice on the inheritance tax passages of this book.

Publisher's Acknowledgements

We're proud of this book; please send us your comments through our Dummies online registration form located at www.dummies.com/register/.

Some of the people who helped bring this book to market include the following:

Acquisitions, Editorial, and Media Development

Project Editor: Rachael Chilvers

Commissioning Editor: Samantha Spickernell

Proofreader: Christine Lea

Publisher: Jason Dunne

Executive Project Editor: Daniel Mersey

Cover Photo: © Blend Images / Alamy

Cartoons: Ed McLachlan

Composition Services

Project Coordinator: Erin Smith

Layout and Graphics: Claudia Bell,
Reuben W. Davis, Alissa D. Ellet,
Melissa K. Jester, Stephanie D. Jumper,
Christine Williams

Proofreader: David Faust

Indexer: Christine Karpeles

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Introduction

We probably all know a story about wills and inheritance. From the recluse down the road who left millions so that Tiddles could enjoy the best cat food money can buy, to the 20-something glamour model who inherited a fortune when her octogenarian husband died of a heart attack but with a big smile on his face.

However, two-thirds of people haven't made a will yet and half of us never will. These people are missing out on a golden opportunity to look after their families and frustrate the tax-collector.

You've bought this book (and if you haven't, better hurry along to the checkout) and that means you're already thinking about putting a framework in place for your family's future for a time when you're no longer around.

About This Book

For Dummies books are all about giving you useful advice and information, in a light, easy-to-access format, and this book is no different. I go through the benefits of making a will, how to write your own will or get the help of a solicitor, and what tax-saving steps you can take to stop Her Majesty's Revenue & Customs (the snazzy new name for the Inland Revenue) indulging in a post-death tax grab. I include hints and tips on reducing your liability for inheritance tax, how to use trusts to help your family, and what to do if you want to pass on your family business. Just as importantly, this book helps you maintain your sense of humour as you jump those inheritance-planning hurdles before you.

Conventions Used in This Book

To help you navigate through this book, I've set up a few conventions:

- ✓ *Italic* is used for emphasis and to highlight new words or terms that are defined.
- ✓ **Boldfaced** text is used to indicate the action part of numbered steps.
- ✓ `Monofont` is used for Web addresses.

What You're Not to Read

I've written this book so that you can

1. Find information easily and
2. Easily understand what you find.

And although I'm sure you want to pore over every last word between the two yellow covers, I actually make it easy for you to identify 'skippable' material. This is the stuff that, although interesting and related to the topic at hand, isn't essential for you to know.

- ✔ **Text in sidebars.** The sidebars are the shaded boxes that are scattered through the book. They share observations and interesting snippets, but aren't necessary reading.
- ✔ **The stuff on the copyright page.** No kidding. There's nothing here of interest unless you are inexplicably enamoured by legal language and reprint information.

Foolish Assumptions

In this book, I make some general assumptions about who you are:

- ✔ You want to make plans so that your money and property is used to help your loved ones when you die but you don't know where to start. You probably have a vague idea about what you'd like to do, and have heard lots of stories and anecdotes about the strange laws governing wills. You feel a little intimidated by all the legal and accountant speak that surrounds wills and inheritance tax. Don't fear, this book is hell bent on busting the jargon and making things crystal clear.
- ✔ You want to copper-bottom your inheritance plans to reduce any tax liability and ensure that as much of your property as possible passes to your nearest and dearest but you don't want to be blinded by tax science. You want to know how to make the tax system work in your favour just for once!
- ✔ You want to know how to cope if someone close to you dies and you have to deal with their estate. From arranging a funeral to dealing with HM Revenue & Customs, the whole process is explained from top to bottom.

How This Book Is Organised

Wills, Probate & Inheritance Tax For Dummies, 2nd Edition is organised into five parts. The chapters within each part cover specific topic areas in more detail. So you can easily and quickly find the topic you need.

Part I: Planning Your Will

The chapters in this part help you do the right preparation for making a will. This part helps you figure out your worth and what sort of professional help you need to set up for your inheritance strategy. I give handy hints and tips on how to prioritise the gifts you want to leave. I set out easy-to-use tactics to protect your family home from being sold from under your family's feet when you're gone. I also explain what happens if you adopt a 'sit on your hands' strategy and don't make a will.

Part II: Writing Your Will

In this part I show you how to get your wishes down on paper. I look at the practical side of will-writing, including appointing executors, trustees, and guardians for your children, as well as how to make gifts to your loved ones through your will.

Making your will legal by signing it and getting it witnessed properly is essential – I steer you around the pitfalls. I also explain what life events should prompt you to review your will plans and change your will without running the risk of invalidating it.

Part III: Managing Probate

This part takes you through the process of dealing with someone else's estate when they pass away. I take you step-by-step through all the people that you need to inform when someone close dies. The preliminaries of securing a death certificate, arranging a funeral, and following any donation requests are covered in depth. As for handling the financial affairs of the deceased – a process called *probate* – every angle is covered, from tracking down creditors, calculating and paying any tax due, and distributing the estate to the deceased's beneficiaries. If you find yourself in the sad position of losing someone close, this part shows you how to take the admin in your stride so that you can get on with the grieving process.

Part IV: Taxing Times: Inheritance Planning

More people than ever are being drawn into the inheritance tax net and you could be one of them. This part shows you how to secure your estate from a post-death tax grab. Remember, the earlier you start and the more thorough your tax plans, the greater the amount of money you can leave to your loved ones.

In this part I explain how inheritance works and how by doing relatively simple things you can reduce the tax bill on your estate. I also show you how you can use trusts to beat the tax-collector. I peek behind the myths and complex legal mumbo-jumbo of trusts and show you how you can use trusts to protect your home, property, and business.

Part V: The Part of Tens

Here, in a concise and lively set of condensed chapters, are tips on getting your estate into tax-saving shape, avoiding making mistakes in your will, ensuring that your beneficiaries really will benefit from your will, and the documents you need to keep with your will.

Icons Used In This Book

Scattered throughout the book are icons to guide you along your way and highlight some of the suggestions, solutions, and cautions to bear in mind when making your will.



Keep your sights on the target for important advice and critical insights into the best practices in writing your will.



Remember these important nuggets of information and you'll stand a better chance of achieving your aims.



This icon highlights the landmines that you need to steer clear of.



Beat the tax-collector by following the hints and guidance offered with this icon.



I sometimes go into more technical detail about a particular law or tax issue, so this icon prepares you for brain strain.

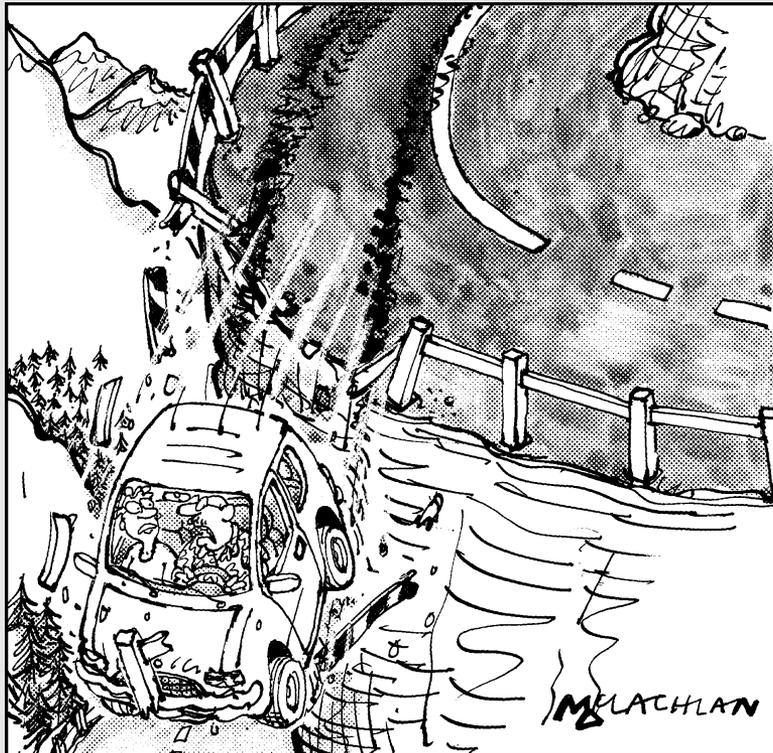
Where to Go From Here

This book is organised so that you can skip to wherever you want to go to find what you need. You don't have to read it from cover-to-cover. Want to know how to change a will? Head to Chapter 9. If you're interested in avoiding inheritance tax, go to Chapter 16. You can use the table of contents to find broad categories of information, or use the index to look up more specific things.

If you're not sure where you want to go, why not begin at the beginning?

Part I

Planning Your Will



'This is a fine time to remind me we haven't made a will.'

In this part . . .

Before putting pen to paper you have to put in the groundwork. First up you have to work out what your estate – everything you own – is worth. You then have to put together a clear picture in your own mind of who you want to inherit your pot of gold. As for your biggest asset – the family home – I show you the tactics you can use to make sure this passes intact to your loved ones when you die. If you want the reassurance of using a solicitor, accountant, or financial adviser to draw up your estate plans, check out this part because I show you how to spot duffers from the able and committed.

Whatever your will plans, you'll need the help of family and friends to make it happen. This part shows you what to look for in will executors, trustees, guardians, and witnesses.

If you're embarking on the estate planning journey and want to know how to prepare properly, this is the part for you.