



E-Update: May 2009

This month Robert looks at the need to consider Inheritance planning to avoid the taxman extracting a large tax bill from your estate and also looks at the changes introduced in the April budget.

Inheritance tax

Hatch, match and dispatch, what do they all have in common? They all cost money. We all know and unfortunately except this fact, what is not so well recognised is it doesn't stop there, if you have done well enough in your life to make sure that others after you can benefit, the final sting in the tale is Inheritance Tax (IHT).

In simple terms, if you don't plan effectively during your life the impact on your net estate is a 40% tax levy. So, if you are the last surviving parent and you are worth £500,000 and died in 2010, the tax bill would be £70,000, putting it another way 14% (nearly 7 years) of your asset gathering life (18 - 65) was a waste of time.

It would be nice to be able to say this is how it works and here's the simple solution but, unfortunately, in our tax system simple is hard to come by. The good news is there are ways to reduce or mitigate this, whether you are in a position to start giving it away to future generations or favoured causes now, or not. You could liquidate assets and turn them into income for you to enjoy, or perhaps you don't need to own them anymore but just need to stay in control of what happens to them. Alternatively you maybe you just want to make sure the money is available though other means to pay the tax bill.

We will be shortly holding a seminar with one of the panel of Independent Financial advisers we partner with to cover the tax planning points raised above. Please let me know if you would like to be invited to this and whether you have any business contacts who would like to come along as guests.

Budget News

The budget hit higher earners by introducing a 50% income tax rate for those earning more than £150,000. Measures for businesses include the introduction of a temporary 40% first year allowance and an extension of help for loss-making companies. The introduction of a "car scrappage" scheme was also confirmed, offering £2,000 to people who trade in cars that are over 10 years old. Meanwhile, fuel duty will rise by 2p a litre from September 2009. Other measures include an increase in the child element of Child Tax Credit from April 2010; credits towards the basic state pension for grandparents of working age who care for their grandchildren; and a rise in the annual limit for ISAs to £10,200. For more information click [here](#).

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