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The family tree

Planning across generations

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Learning objectives

By the end of this session, you should be able to:

- Understand the intergenerational wealth planning opportunity
- Explain the role protection advice can play in helping your clients achieve their financial objectives with confidence
- Describe the advantages of using pensions to pass on wealth through the generations.

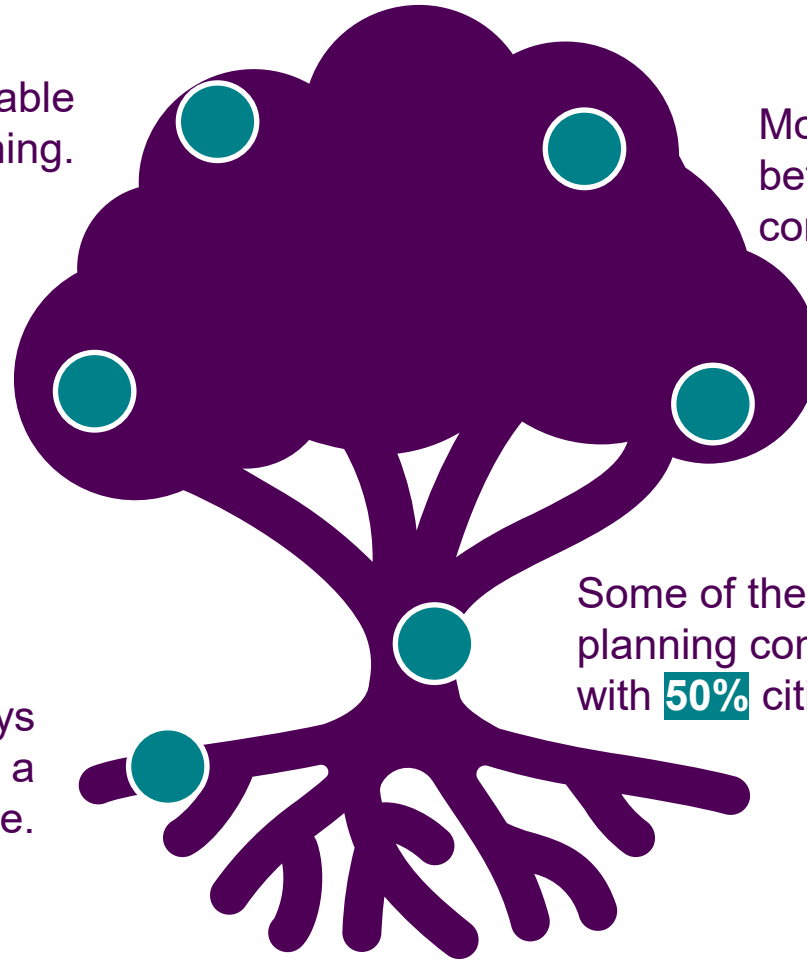
The planning challenge gets broader

Why the family tree?

68% of advisers have witnessed avoidable tax or family conflict due to late planning.

Advisers report on average to a loss of **£500k to £1m** in assets following a client's death.

81% of inheritors say they plan to part ways with their parents' financial advisers within a year or two of receiving their inheritance.



More than **£5.5trn** expected to pass between generations in the UK in the coming decades.

Only **55%** of advisers have an intergenerational strategy for retaining assets across different generations.

Some of the main reasons clients start estate planning conversions are unexpected developments, with **50%** citing illness/health scares.

The pensions landscape



Inheritance tax (IHT) to apply to pensions from 6 April 2027.



IHT then income tax where applicable.



Personal representatives responsible for paying IHT.



Different options for paying the charge.



Out of scope:

- Charity lump sum death benefit (LSDB)
- Dependents pensions
- Death in service (DIS) benefit
- Joint life annuity survivor benefits

The protection landscape



- **58%** of UK adults hold **no protection products**¹.
- **59%** of which have **never considered** their protection needs¹.
- Only **39%** of mortgage holders **recall protection** being mentioned by their mortgage adviser².

Reliefs and exemptions



Nil rate band
(NRB)



Residence nil
rate band



Unlimited
exemptions



Annual £3,000
exemption



Gifts on marriage
or civil partnership



Outright gifts
to individuals
and trusts



Normal
expenditure out
of income



Gifts to charities
or political parties



Business property
and agricultural
property

The family tree is changing

The family balance sheet



What the family owns

Property, investments, pensions, business interests, possessions, life cover and trust interests.



What the family needs

Retirement income, care reserves, income replacement, emergency capital and flexibility.



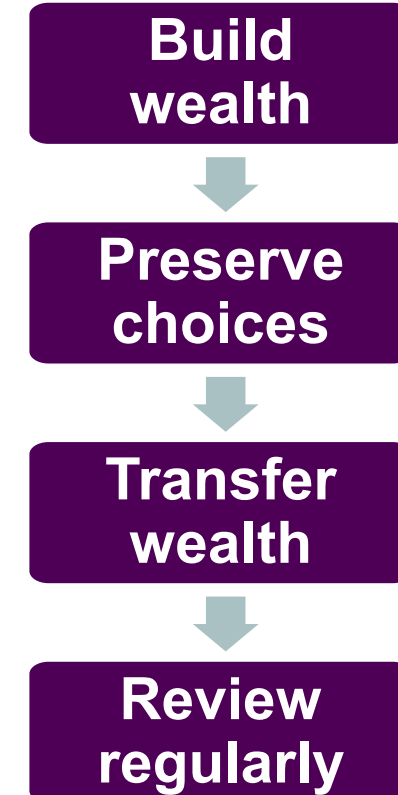
What the family intends

Lifetime gifts, inheritances, charitable giving and support for different family members.



What could interrupt the plan

Early death, ill health, longevity, legislative change, investment performance, family change or a lack of liquidity.



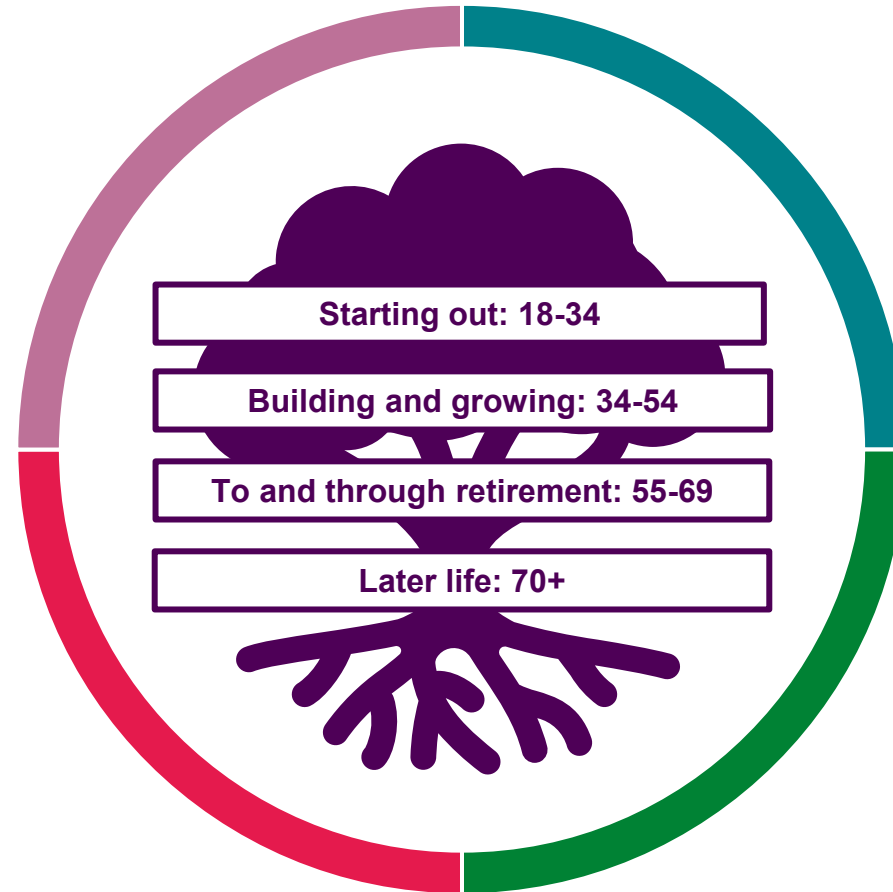
Threats to the family tree

Wealth transfers
inefficiently

The wealth never gets
built up

A financial shock
removes future options

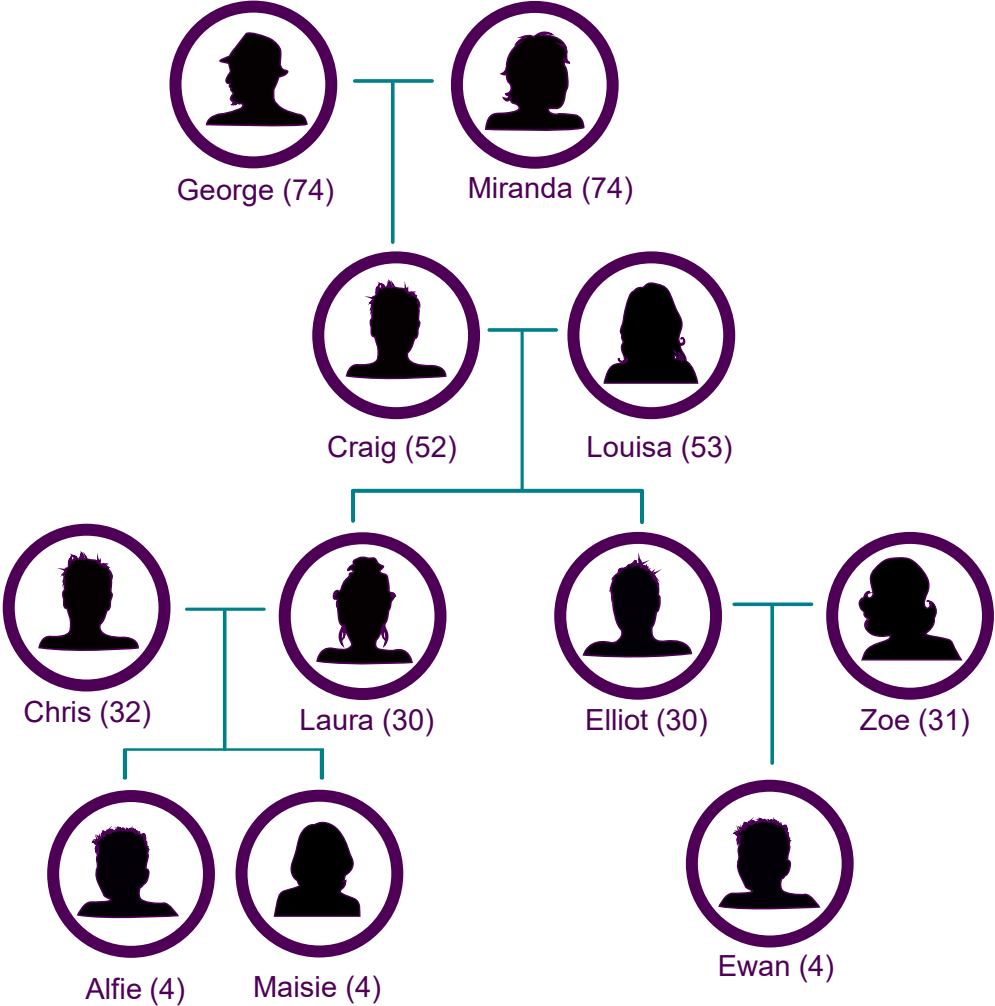
The money ends up in
the wrong place



Protecting resilience

Too unwell to work?	Income Protection			
Developed a serious illness?	Critical Illness Cover	Children's Critical Illness Cover	Family Income Benefit with Critical Illness	
Dying prematurely	Life Cover	Family Income Benefit	Relevant Life	
Estate planning	Whole of Life	Joint Life Second Death	Gift inter vivos	Equity Release
Business succession planning	Partnership and Shareholder Cover	Key Person Cover		
Business continuity planning	Loan Cover			
Wellbeing	Support services			

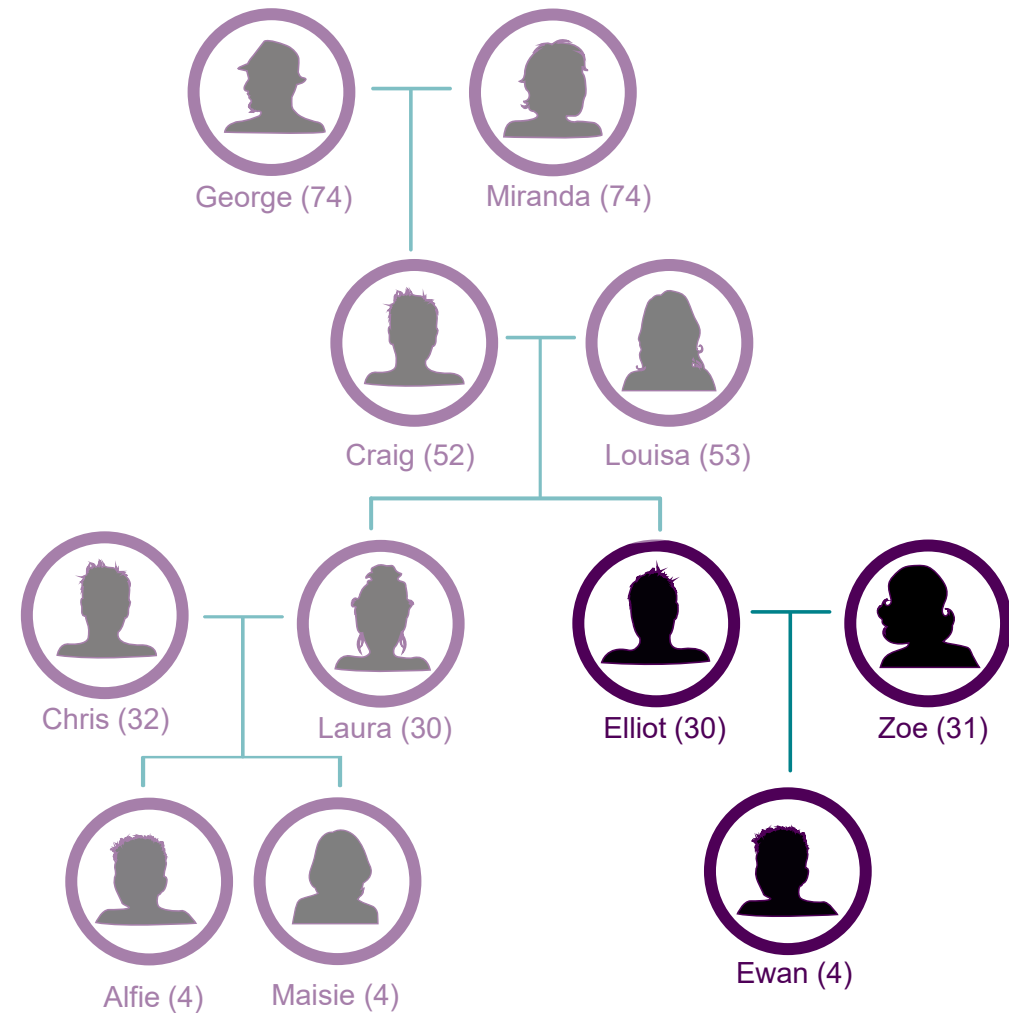
The Gilberts



**The wealth never gets
built up**

Elliot and Zoe

- Elliot (30) and Zoe (31) bought their first home three years ago.
- Elliot earns £70,000 as an electrical engineer and Zoe earns £35,000 working in HR.
- They have around £10,000 in savings, workplace pensions worth roughly £45,000 each and are gradually building equity in their home.
- Like many young families, they don't see themselves as wealthy, yet most of their future wealth is still to be created through their earnings, pension contributions and future mortgage repayments.



The future balance sheet



Today's wealth

- Savings = £9,000
- Pension = £45,000 (x2)
- Equity = £40,000
- Estate = £139,000



Future wealth

- Future earnings
- Future pension contributions
- Future mortgage repayments
- Future inheritance potential

If most of Elliot and Zoe's wealth doesn't exist yet, how do we measure what needs protecting?

Planning points



Mortgage protection

Essential for ensuring loved ones are financially supported if a main income earner dies.



Income protection

Benefit paid at claim can help families cover costs and keep a roof over their heads if the life covered can't work because of illness or injury.



Child Critical Illness Cover

Pays out a percentage of the adult's sum assured, up to a maximum limit set by the insurer and could help parents reduce their working hours or make alterations to their living arrangements.



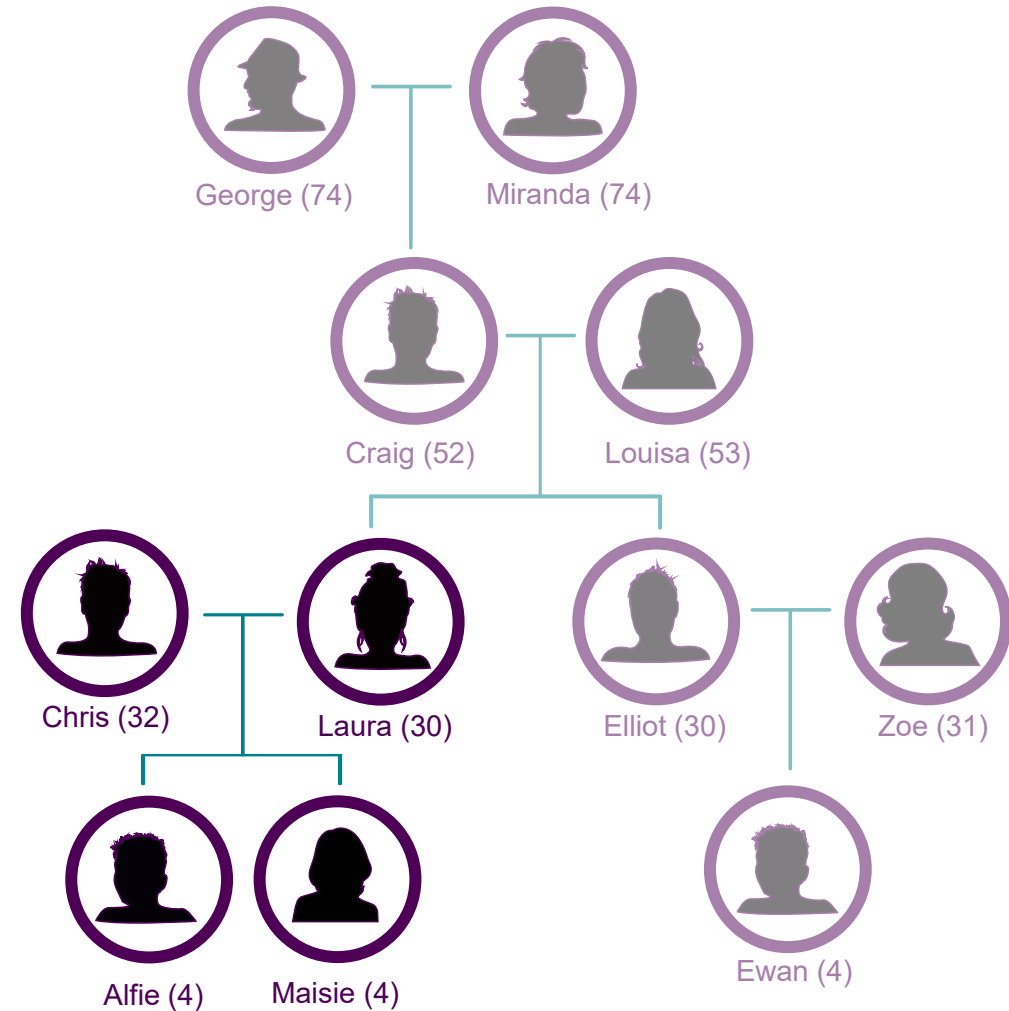
Family Income Benefit (FIB)

Can replace the lost income on death or critical illness from claim until the end of the policy term.

The money ends up in the wrong place

Chris and Laura

- Chris (32) and Laura (30) are separating after eight years together.
- Chris earns £49,000 as a project manager and Laura earns £52,000 working as paralegal.
- They have two children alongside a family home and a mortgage protection plan arranged when life looked very different.



A protection audit



Ownership

- Who owns each plan?
- Who can request changes?
- Who controls cancellation?



Cover

- Does the sum assured still match each household's liabilities?
- Does joint first-death cover leave one party uninsured after a claim?
- Can existing arrangements be separated, assigned or continued?



Destination

- Who are the trustees?
- Who are the potential or absolute beneficiaries?
- Is the letter of wishes up-to-date?
- Do pension and death-in-service nominations remain appropriate?



Continuing dependency

- For how long is maintenance expected?
- Who provides the day-to-day childcare?
- Would the death of the receiving parent also create a financial need?
- Does either parent now need more IP because the household relies on one income?

Planning points



Plan ownership

Does the plan structure make it easier or harder for clients to remain suitably protected?



New liabilities

Greater reliance on one income might now mean income protection is a priority. Child maintenance payments may need to be protected too.



More than just money

Support services can be just as important as the payout when families are under pressure.



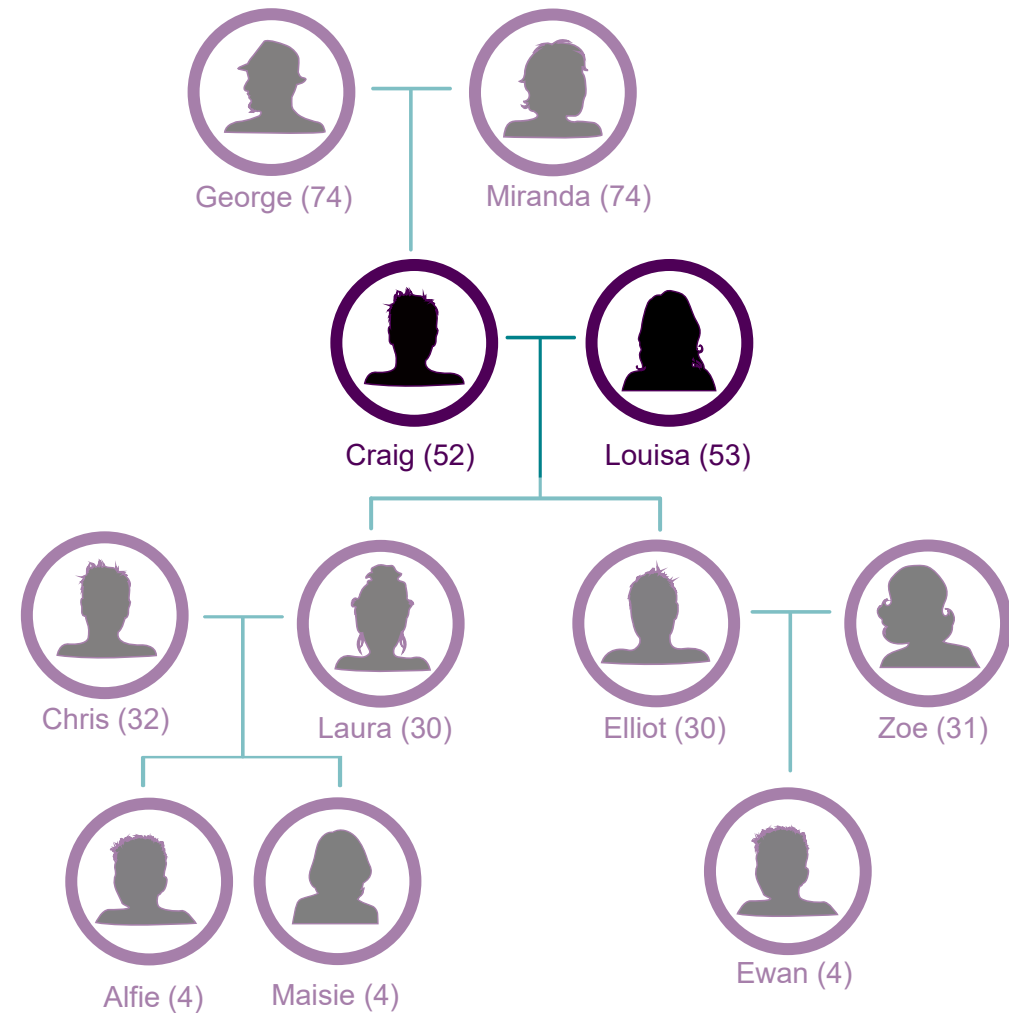
Trustees or beneficiary changes

Do they need to remove/update any trustees or do nominated beneficiaries need to be updated?

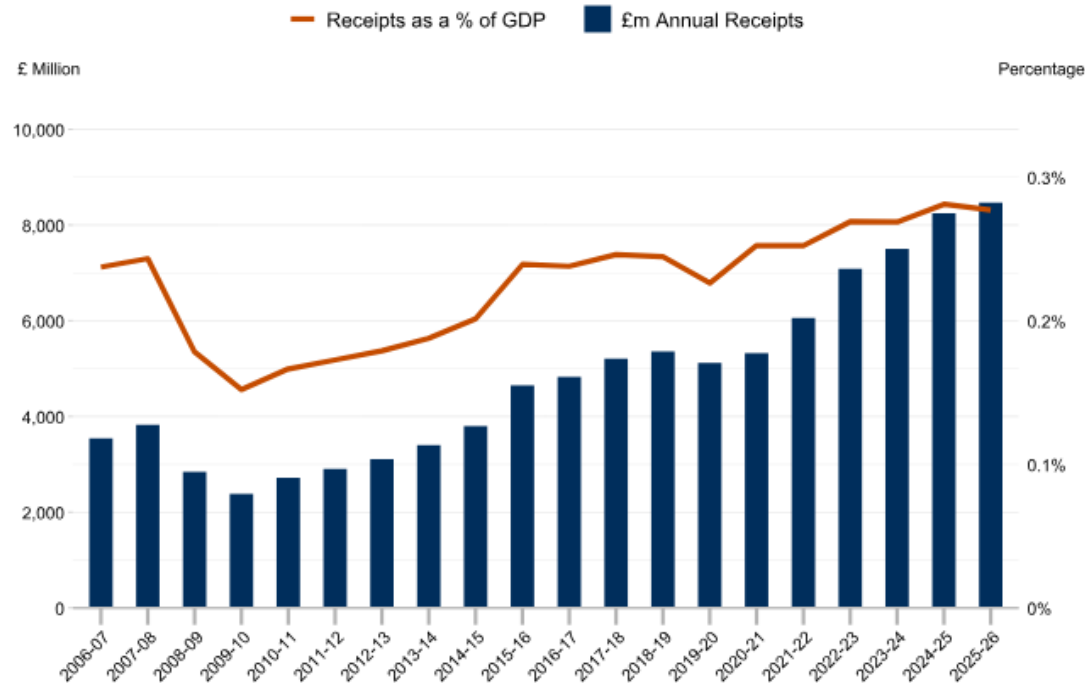
A financial shock removes future options

Craig and Louisa

- Craig (52) and Louisa (53) are successful professionals whose focus has shifted from building wealth to preserving it.
- Craig earns £95,000 and Louisa earns £98,000. Their mortgage is almost cleared; their children are financially independent and combined pension savings are approaching £1.5 million.
- For the first time, conversations are moving beyond investment growth and retirement income towards gifting, trusts, pension nominations and how assets eventually pass to children and grandchildren.
- They are comfortable today, but increasingly conscious that a large future tax bill could reduce what the next generation ultimately receives.



The IHT net is widening



Source: gov.uk, HMRC tax receipts and National Insurance contributions for the UK (annual bulletin) September 2026

The OBR forecasts IHT receipts rising from around £9 billion in 2025/26 to £15 billion in 2030/31¹.

It attributes the increase to rising equity and house prices, a growing proportion of deaths being subject to IHT and policy changes announced in the October 2024 Budget.

Destination of benefits

Plan proceeds pay out
to the intended
beneficiary

Plan proceeds are
outside of the estate
for IHT purposes

Funds received by the
trustees without having
to wait for probate

Intergenerational
planning



Providing for a family

Can be set up to provide a spouse or civil partner and/or dependent children with financial support.



Educational provisions

Life cover could ensure there is continuation of education.



Partnership protection

Funds needed to buy the partner's share of the partnership from the estate.



Vulnerable beneficiaries

Trustees can control funds for young / vulnerable beneficiaries.



IHT planning

Protect donees who have received lifetime gifts, provide funds to pay an IHT bill outside of the estate.



Directors' share protection

Life cover can provide necessary funds on death to buy the shares from the estate.

Gift inter vivos planning

A gift inter vivos (GIV) plan via a series of term assurance plans for the tax liability. This could be a standalone GIV product or a multi-cover plan.

Years after gift	Reduction in tax	Taxable amount	IHT due	Cover amount	Term
0 – 3 years	0%	£125,000	£50,000	£10,000	3
3 – 4 years	20%	£125,000	£40,000	£10,000	4
4 – 5 years	40%	£125,000	£30,000	£10,000	5
5 – 6 years	60%	£125,000	£20,000	£10,000	6
6 – 7 years	80%	£125,000	£10,000	£10,000	7
7+ years	100%	£0	£0 (fully exempt)		

If a potentially exempt transfer (PET) tax charge fails, it will use up the individual's £325,000 NRB making it unavailable for their estate.

Resulting in up to £130,000 more IHT being due on the estate: $£325,000 \times 40\% = £130,000$. The increase in IHT when the NRB is lost can be insured.

Planning points



Joint Life Second Death Term

“We have an IHT issue now, but we expect to solve or reduce it over time, so we only need cover for that window.”



Guaranteed Whole of Life

“I know the liability is likely to remain, and I want a guaranteed solution to cover it.”



Reviewable Whole of Life

“I expect the problem to reduce over time, but I need cover in place now while I work through that.”



Gift Inter Vivos

“I’m happy to gift now, but I don’t want my beneficiaries exposed if I don’t survive the seven years.”

Wealth transfers efficiently

Normal expenditure from income

- > Normal expenditure
- > From income
- > Standard of living

Normal expenditure from income and pensions



Contributions for a third party are exempt or potentially exempt.



The individual receiving the contribution must have relevant earnings to support it or max of £3,600.



If the recipient is a higher rate (HR) or additional rate (AR) taxpayer, then they can claim the relief.



Growing in a trust which can't be accessed until at least age 55*.

*57 from 6 April 2028, protected pension ages may offer earlier access.

Pensions

and intergenerational planning



Contributing to a pension for a child or grandchild can reduce tax on a family basis.

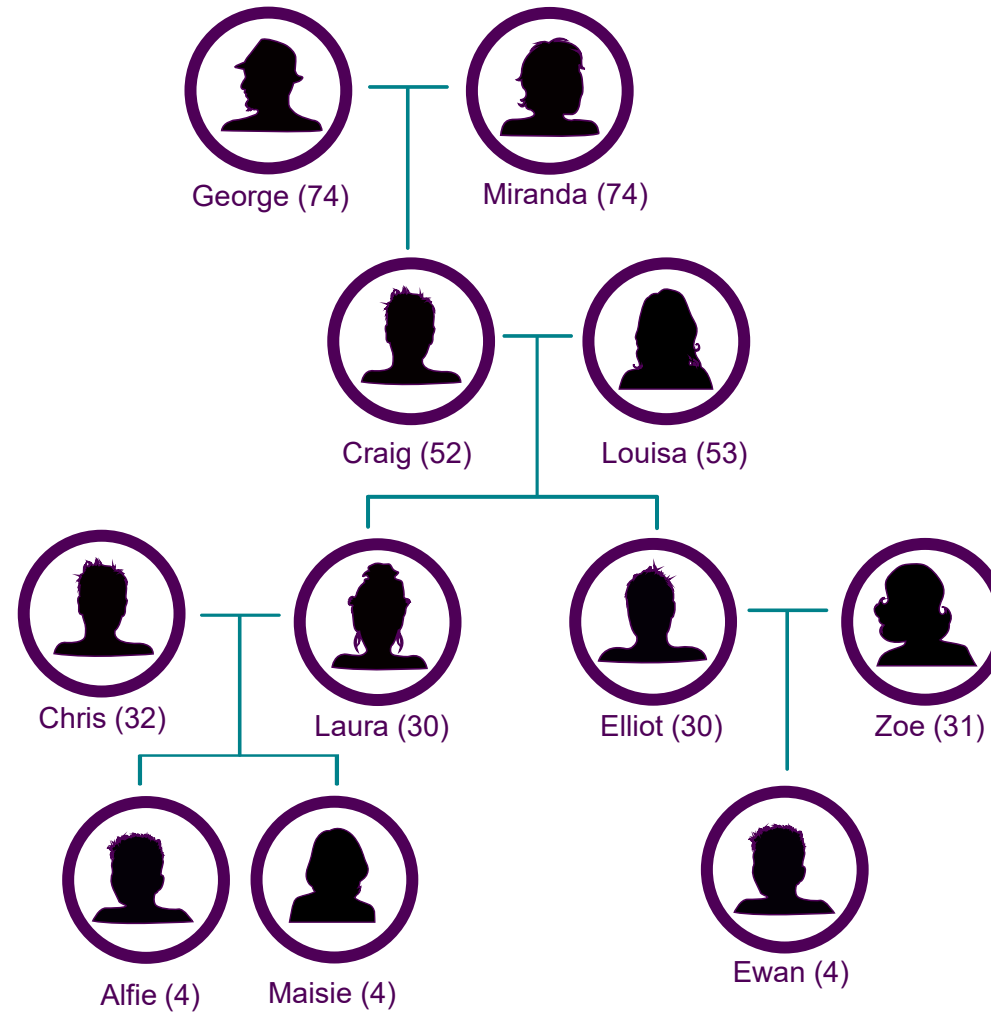


Regular contributions to a pension may be offset against normal expenditure.



Or a parent or grandparent can use the annual exemption.

Back to the family tree



Intergenerational planning



George

Income drawdown fund of £750,000, he has significant disposable income and a potential IHT problem.



Great grandchildren
Alfie, Maisie and Ewan.

Elliot

has an **adjusted net income of £70,000**, but no disposable income.



Elliot

For the £10,000 Elliot earns over £60,000, he pays National Insurance (NI), higher rate income tax and the child benefit tax charge equal to half the child benefit - £703.

Intergenerational planning



George

George decides to contribute
£2,880 (£3,600 gross) a
year into a pension for each
of his grandchildren until
they reach age 18



£2,880 per year



£2,880 per year



£2,880 per year

Intergenerational planning



George

By doing this George
has an IHT saving of
£3,456 per year.



Saved each year until age 18 =
£77,683 in each fund*.



No further contributions
after age 18.



At age 60 they each have
£602,942 in their fund*.

* Assumes £2,880 net (£3,600 gross) pension contribution and 5% growth after charges per year.

Intergenerational planning



George

George pays **£8,000 per year** to **Elliot's pension**.
Saving IHT of £3,200.



Elliot

Elliot will benefit from **basic and higher rate tax relief** as well as now **not being liable** for the **child benefit tax charge**.

$\text{£2,000} + \text{£2,000} + \text{£703} + \text{£2,160} + \text{£3,456} + \text{£3,200} = \textbf{81.2\% tax relief}$

Additional considerations

What's in it for you?



Grow client relationships

Early planning creates stronger client connections

From individual solutions to family legacy planning

Encourages intergenerational planning



New advice opportunities

Protection planning at different life stages

Estate planning and business owner referrals

Later-life and retirement discussions



Protect existing business

Help clients preserve more family wealth

Identify potential future liquidity issues

Maintain family advice relationships

Review opportunities

Family events

- Birth
- Marriage
- Separation
- Bereavement
- Child moving out
- Care responsibilities

Financial events

- Mortgage
- Retirement
- Inheritance
- Gifting
- Business sale
- Business growth

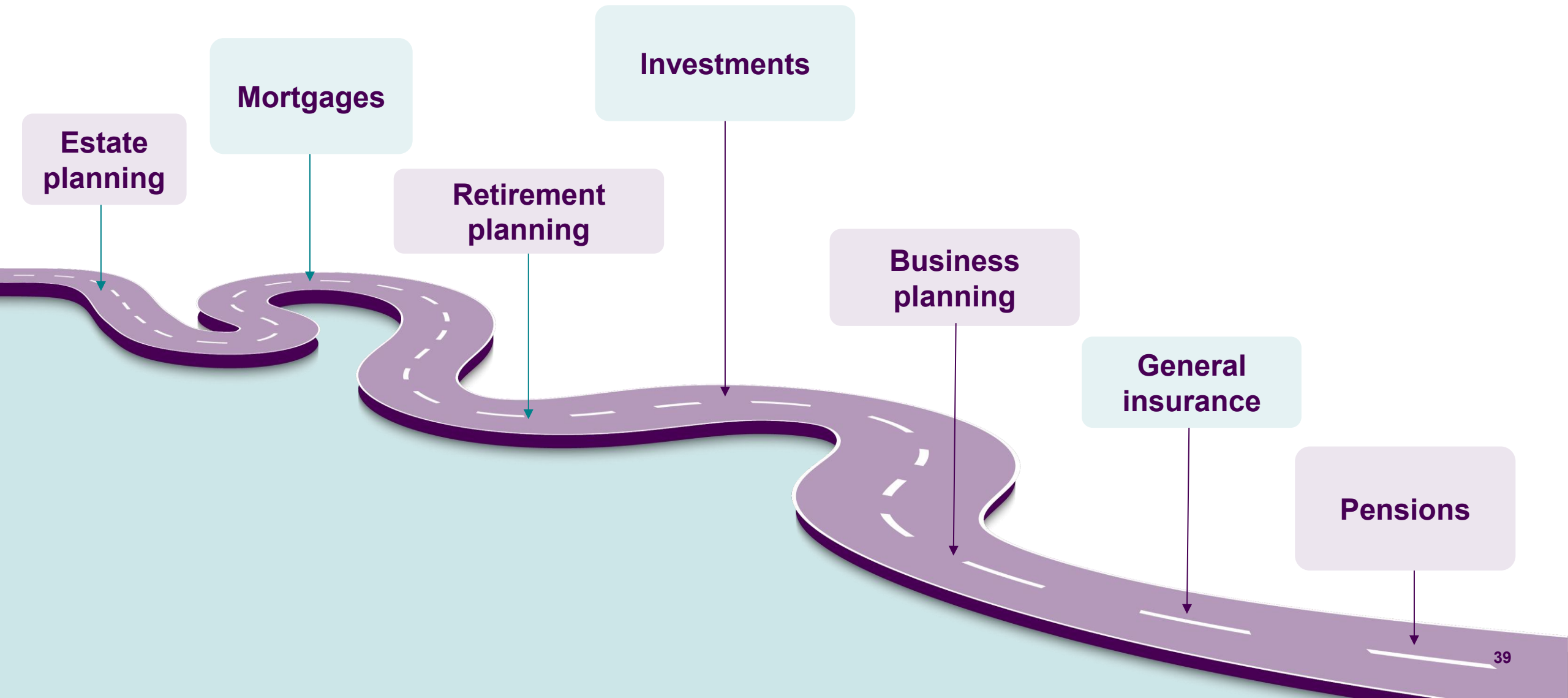
Planning events

- Plan review
- Pension nomination
- Trustee change
- Beneficiary change
- Wills
- Powers of attorney

External events

- Tax changes
- Relief changes
- Budget
- Economic updates
- Regulatory changes
- Policy changes

Part of the process



Learning outcomes

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