

10 Tax-Efficient Ways to Pass on Wealth While You're Still Around to See It Enjoyed



Giving while living: A
smarter way to pass on
wealth



INTRODUCTION

At TSP Wills & Estate Planning, we believe inheritance shouldn't just be about what you leave behind—it's about the positive impact you can make today.

Instead of viewing Inheritance Tax (IHT) purely as a "tax loss," we help you see it as an opportunity to empower your children and grandchildren while you are still here to see them thrive.

By passing on wealth during your lifetime, you can:

- » Reduce future Inheritance Tax (IHT)
- » Support loved ones when they need it most
- » See the real-world impact of your generosity
- » Retain control and flexibility through structured planning

This guide outlines 10 proven, UK-based strategies to help you pass on wealth efficiently, responsibly and with confidence.

Make Use of the £3,000 Annual Gift Allowance

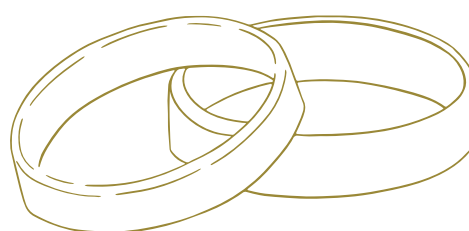
Every individual has an "Annual Exemption" allowing them to gift up to £3,000 per tax year completely free of Inheritance Tax.

CARRYFORWARD:

If you didn't use last year's allowance, you can carry it forward for one year only, allowing a potential £6,000 gift.

COUPLE:

For a married couple or civil partners, this means up to £12,000 can be gifted immediately with no IHT implications if previous allowances are unused.



Why it works:

Simple, immediate, and entirely outside your estate from day one.



Small Gifts Allowance (£250 Rule)

You can make as many "small gifts" of up to £250 per person, per tax year as you like—provided that person has not received any other gift from you using a different allowance (like the £3,000 exemption).

- » Best for: Birthdays, Christmas, and regular support for a wider circle of family or friends.

Why it works:

It encourages regular generosity without adding any complexity to your estate planning.



Wedding and Civil Partnership Gifts

Special life events offer additional "free" gifting windows. HMRC allows tax-free wedding gifts of:



£5,000 to a child.



£2,500 to a grandchild or great-grandchild.



£1,000 to anyone else.

Tip

These can be combined with your Annual Exemption. This means you could potentially give a child £8,000 in their wedding year completely tax-free (£5,000 wedding gift + £3,000 annual allowance).

Why it works:

Supports major life milestones while instantly reducing your IHT exposure. ✓

Gifts Out of Surplus Income

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Often described as the "secret" rule of IHT planning. You can make unlimited gifts from surplus income, provided:

- 1 They are made regularly (forming a pattern).
- 2 They come from income (salary, dividends, pension), not capital.
- 3 They do not impact your standard of living.

Example:

Paying for a grandchild's school fees or covering a child's monthly mortgage payments.

Why it works:



There is no financial cap on this exemption. As long as the criteria are met, the money leaves your estate immediately.



Large Gifts & The 7-Year Rule (PETs)

For larger, one-off gifts that exceed your allowances, these fall under the "Potentially Exempt Transfer" (PET) rules.

» The Rule:

There is no limit on how much you can give, but the gift only becomes fully exempt from IHT if you survive for seven years after making it.

» Taper Relief:

If you pass away between 3 and 7 years after the gift, the tax due on the gift may be reduced.

» Watch Out for CGT:

If you gift assets that have grown in value (like shares or a second home) rather than cash, you may trigger a Capital Gains Tax (CGT) charge immediately, even if no money changes hands.

Why it works:

Ideal for passing on significant wealth early, provided you are in good health and plan ahead.