SCOTTISH WIDOWS
preparation is everything

**NEWS RELEASE**
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## THE £103 BILLION INHERITANCE TAX GIVEAWAY

As more people are caught out by inheritance tax than ever before, due to increased wealth and rising house prices, Scottish Widows research* reveals Brits are well aware they can't take it with them when they're gone, and are planning on giving away £103 billion** to friends and family to avoid a huge tax bill on their death.

Four in 10 (41%), or 10 million households, now have an estate liable for a 40% tax bill on their death – up from a third (34%) last year. Of these people, four in 10 (43%) have taken, or plan to take, steps to mitigate this bill, with 44 per cent or 1.2 million people planning on giving away either a lifetime gift, or an annual gift to friends and relatives. The average amount people are prepared to gift is £86,000.

Almost half (47%) would like their gift to be used to help their relatives get on the property ladder. One in five (20%) want their beneficiaries to use the gift for their own retirement, and the same (22%) would like recipients to save it for their own children. However, almost a quarter (22%) would like the benefactors to use it to pay off their debts.

Anne Young, tax expert at Scottish Widows comments: "IHT is a tax that affects almost half of the country and it is really important that people prepare for the possibility of leaving a huge tax bill on their death. Gifting is becoming an increasingly recognised way to avoid IHT, but remember few gifts are totally exempt. You can give £250 away to an unlimited number of people as well as up to £3,000 per tax year - these will all be exempt. In addition, if you live for seven years after making any other absolute gift, this will be exempt too. As a quarter of the recipients plan to use the money to pay off their own debts, it is obvious they could ill afford to pay additional inheritance tax on top."

Trusts are also a viable option for those wishing to protect their assets, and four in 10 people who intend to take, or have already taken, steps to reduce their inheritance tax bill have looked at the option of a discretionary will trust or a life assurance policy written under trust.

However, for the majority that haven't considered this option, nearly a third (29%) admit to not knowing enough about them, and one in 10 has never heard of 'trusts'.

Notably, a quarter (24%) say that they are now wary of putting money into trusts, and six percent has no faith in these products since the Government introduced the Finance Act 2006 which changed the way trusts are taxed.

Anne Young continues: "People want to leave their family with as much of their assets as possible, and although people are making headway in recognising this, they could still be facing a major problem. Education is needed on the different ways that people can leave their money to the next generation as tax-efficiently as possible. Trusts should be more popular than they are. Although people may be unsure how they work, they are a relatively straightforward way of helping to reduce, or perhaps set aside a fund to pay for, an IHT bill. People should not automatically dismiss this option, but rather seek professional advice and get a better understanding of the way trusts can help."

The Scottish Widows research found the most popular actions people have taken to mitigate against inheritance tax are:

- Making a will (62%)
- Setting up a discretionary will trust (32%)
- Visiting a financial adviser (28%)
- Changing joint ownership of the home to tenants in common (28%)
- Giving an annual gift up to £3,000 (23%)
- Making a lifetime gift to friends/relatives/charity/trust (21%)

**-ends-**

**Notes to editors:**

* The research was commissioned by YouGov Plc research where 2,446 GB adults where questioned between 3rd – 6th November 2006

** £103 billion = 1.2 million people who are planning on giving away some money x an average gift of £86,000

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**Scottish Widows** was founded in 1815 as Scotland's first mutual life office. Becoming part of the Lloyds TSB Group in 2000, Scottish Widows has become one of the most recognised brands in the life, pensions and investment industry in the UK. The product range includes ordinary long term insurance, such as life assurance, pensions, annuities and permanent health insurance, and savings and investment products. Using a multi-sales network of Financial Advisers, Direct Sales, Direct Marketing, the Internet and via the branch network of Lloyds TSB, Scottish Widows currently employs about 4,000 people.