

Why wills & LPAs are so important

Outline

Making a will is an important part of estate planning and will ensure that your assets are distributed in line with your wishes. It can also help to reduce inheritance tax (IHT), as anything left to your spouse/civil partner is exempt. If you leave 10% of your assets to charity the IHT rate on your remaining estate is reduced from 40% to 36%.

A lasting power of attorney (LPA) ensures that your financial affairs and health and welfare can be managed in line with your wishes in the event of losing capacity. It may be a difficult topic to broach, but those who take care of the most important aspects early on will relieve the burden on the whole family.

Intestacy rules – What happens if there is no (valid) will?

If you die without a will your estate will be distributed according to the rules of intestacy (see example below).

A will is particularly important for couples who are not married/not in a civil partnership, or in cases of prior relationships.

This means you lose control of who receives your assets and may result in more IHT. Intestacy rules are inflexible, unlikely to reflect your wishes, and may cause delays for those dealing with your estate.

In addition, a will allows you to determine your executors, make funeral arrangements, and make an expression of wishes.



How to write a will

- You must be over 18 and of sound mind.
- You need to set out your beneficiaries and appoint an executor, or executors.
- The will must be in writing, and dated and signed by the testator.
- There must be a clear intention to dispose of property.
- The will must be signed by two witnesses. These witnesses cannot be executors or beneficiaries.

Keep your will(s) up to date

Personal circumstances change, so it is important to review wills regularly. A good rule of thumb is to review every five years, and at major life events and milestones such as marriage, births, divorce, or deaths. For instance, if a late spouse was the sole beneficiary of a will, then the law of intestacy could apply.

Lasting power of attorney (LPA)

An LPA ensures that the donor's wishes are met. There are two separate LPA options:

- Health and welfare
- Property and financial affairs

It is possible to arrange one, or the other, or both. You can also appoint different people to look after your healthcare needs and finances separately.

If someone loses capacity without an LPA, it is necessary to apply to the Court of Protection. This process normally takes several months, so can lead to frustrating delays before important decisions can be made. The Court of Protection will appoint a deputy to make decisions. This may not be a family member or someone who knows your wishes.

How to affect an LPA:

- Donor must be over 18 and have capacity.
- Deed must be signed by the donor, the attorney, and a witness.
- A certificate provider confirms that the donor understands the LPA and that they have not been pressured into signing.
- The LPA must be registered with the Office of the Public Guardian.
- Registration takes up to 20 weeks and costs £82 per LPA. It is usually quicker if you make it and pay online.

Estate planning

Wills are the cornerstone of estate planning. IHT of 40% applies on taxable assets above available nil-rate bands (tax-free thresholds). IHT bills can be large and may need to be paid before assets are inherited or liquidated.

Some assets, such as life assurance policies held in trust, do not form part of the taxable estate for IHT purposes. From 6 April 2027 unused private pension assets will form part of the estate. This is another key planning consideration.

Checklist

- Who do I/we want to inherit, and how much? Is this being reflected in a will, trust arrangements and pension nominations?
- How can I best protect my (spouse) partner?
- What happens to our property/main residence?
- Should I restructure my assets?
- What is the expected IHT position?
- Can I afford to make lifetime gifts, and what are the tax consequences?
- What decisions do I need to make, and when do I need to make them by?
- Who do I appoint as executor of my will?
- Who do I appoint as attorney in a lasting power of attorney?

Lumin inheritance planning

If you have unsolved inheritance questions, Lumin is here to help you. We also have a network of solicitors for setting up wills and lasting powers of attorney.

In expert hands with Lumin

Lumin is a leading independent financial adviser headquartered in St Albans, with particular reach across London and the South East. We offer trusted and professional advice on pensions and retirement, investments, inheritance and tax planning, financial protection for individuals and businesses, and mortgages. Lumin's financial plans are geared toward growing, or protecting, wealth by optimising our clients' income, assets, tax burden and financial security. Whatever your financial ambitions, you can count on our expertise to provide peace of mind. We are backed by VZ Group, the leading independent financial services provider in Switzerland.

 **Financial advice made easy: Scan the QR code to arrange a complimentary meeting over a coffee.**

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