

Inheritance Tax Planning: Protecting Your Wealth Without Fracturing Your Family

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By **Paul Webb**, 6th July 2026

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The nil-rate band remains frozen at £325,000, with the residence nil-rate band fixed at £175,000 until at least April 2031. From April 2026, 100% agricultural and business property relief has been capped at £1 million of combined value and from 6 April 2027 most unused pension funds will be brought into the scope of inheritance tax for the first time.

Collectively, these changes mean more estates are likely to face inheritance tax at 40%, prompting many families to review their estate planning sooner than anticipated.

Acting early is sensible. However, recent commentary in the [Financial Times](#) highlights an important consideration that often receives less attention and a reality that does not always appear in financial projections. Inheritance tax planning carried out without careful communication can create lasting family tensions and in some cases, poorly handled arrangements can cause more damage to family relationships than the tax bill they were intended to avoid.

We see this in practice as well.

Effective estate planning is not just about preserving wealth; it is also about managing expectations, maintaining transparency where appropriate, and ensuring family members understand the rationale behind key decisions. Before making significant or irreversible changes, it is worth taking the time to consider both the financial and personal implications.

The hidden cost of planning in silence

One of the most common challenges arises when parents share their intentions with only one or two family members while leaving others unaware of their plans.

The logic is usually protective: a parent worried about a child's spending, or wary of an in-law, wants to retain control over how and when money is received. Trust structures can achieve these objectives effectively. What they cannot do is stop the other children noticing they have been excluded or stop resentment building once the will or trust deed eventually comes to light.

The tax saving from early gifting can be substantial — moving money out of your estate seven years before death removes it from the calculation entirely. However, if that gift later forms part of a messy divorce settlement or becomes the source of a permanent rift between siblings, the "saving" looks very different in hindsight. Good planning weighs all the risks from the outset, not just the tax one.

Why planning has become more urgent

The frozen inheritance tax thresholds are only one part of the picture.

The forthcoming pension changes are particularly significant because pensions have, until now, sat outside the estate entirely and could often be passed on tax-free. From April 2027 that changes, and we are already advising clients to revisit how they expect to fund retirement versus what they intend to leave behind. The old approach of spending other assets first and preserving the pension until last is, for many people, no longer the right strategy.

At the same time, more parents are getting practically involved in their children's financial decisions, contributing towards deposits, attending property viewings, even helping fund prenuptial agreements before a child marries. Each of these can be entirely reasonable. But the more involved a parent becomes, the more important it is that arrangements are documented properly and that expectations are discussed openly with everyone affected, not assumed.

Effective planning requires the right structure

The planning techniques themselves remain sound, provided they are matched to the family, not just the tax position:

- Trusts remain one of the most effective ways to control how and when wealth is received, particularly for beneficiaries who are young, vulnerable, or simply not yet ready to manage significant sums. A well-drafted discretionary trust can also offer protection from a future divorce or creditor claim. The trade-off is a loss of flexibility for the settlor and often, for the beneficiary, which is exactly where family friction tends to arise if it isn't explained clearly in advance.
- Charitable giving is an underused option. Leaving 10% or more of your net estate to charity reduces the rate of inheritance tax on the remainder from 40% to 36%, and a charitable foundation can let a family direct that giving in a way that reflects shared values, sometimes a more unifying legacy than a straightforward division of assets.
- Lifetime gifting, including regular gifts from surplus income (which can fall outside the estate immediately, without waiting seven years), remains one of the most

efficient routes available, particularly for funding school fees or grandchildren's savings.

- Spending it yourself is, for some clients, the simplest and least contentious answer of all.

Lifetime gifting remains one of the most effective inheritance tax planning tools, but the rules are not always straightforward. For a closer look at Potentially Exempt Transfers, the seven-year rule and when a gift may not be treated as a gift for inheritance tax purposes, read [UK Gifts and Inheritance Tax: When Is a Gift Not a Gift?](#)

The conversation matters as much as the structure

Where we see planning go well, it is rarely because the trust or the gift was cleverer than anyone else's. It is because the family talked about it. Advisers in this space increasingly recommend "breadcrumbing" — passing on wealth gradually, with room for beneficiaries to make their own decisions (and mistakes) along the way — rather than a single large transfer with strings attached. It is also why we now routinely recommend a full review of your will alongside any inheritance tax planning, since outdated wording, an unreviewed executor choice, or a structure that no longer matches your actual wishes can undo years of careful tax planning in a single dispute.

To see how different inheritance tax planning approaches can apply in practice, including the use of trusts, gifting and succession planning strategies, read our article [Client Stories: UK Inheritance Tax Planning in Practice.](#)

Next steps

If your Will has not been reviewed since the recent inheritance tax changes, or your family circumstances have evolved, now is an appropriate time to revisit your estate planning.

At Dixcart UK, our multidisciplinary team provides integrated advice across tax, estate planning, and private client services. We work with families to ensure their arrangements remain efficient, appropriate, and aligned with their long term objectives.

We would be pleased to review your existing Will, trust structures, gifting strategy, and pension arrangements in light of the latest legislative changes.

Get in touch

At [Dixcart UK](#), we work alongside clients to provide practical, well structured advice, as well as taking care of drafting of your will, helping to ensure that gifting strategies are both efficient and aligned with long term intentions. If you would like to review your position or discuss your options in more detail, please contact our team at advice.uk@dixcart.com.