

illuminatetech

Created to boost your knowledge and fine-tune your expertise, our technical factsheets offer detailed analysis on a range of useful topics, to help you resolve technical challenges, learn about upcoming developments in the market, and navigate changes to legislation. This valuable support enables you to deliver better outcomes for your clients, helping them to have a more rewarding retirement. Explore the full range on [Illuminate Technical](#).

Estate planning

Introduction

As financial service professionals, it's important that when regulatory and legislative changes occur, these are communicated to clients to ensure they understand any implications it may have on their financial goals and plans. An opportune time to discuss any changes could be at their next annual review meeting. Below are a few factors you might want to consider speaking to them about and if you want to know more, please read our [end of year tax planning TechTalk](#).

Making gifts

There are different types of gifts clients can make which could assist their family with paying off debts, getting a new car or helping towards a deposit for a house. This could also reduce the client's taxable estate, which could be subject to inheritance tax (IHT) when they die, increasing the amount they can leave their loved ones or causes they care about. The order in which gifts are made is also an important consideration and can have an impact on the tax a client pays.

There are a number of exempt gifts which clients may wish to consider, some of which are below:

- Between spouses and civil partners
- To registered charities and registered clubs
- To political parties

As well as

- A £3,000 annual allowance.
- Small gifts of £250 to as many people you like so long as it is not the same people who have benefitted from the annual allowance.
- To people getting married, the amount will depend on your relationship.
- Gifts from normal expenditure out of income

Other outright gifts to people or trusts will either be potentially exempt transfers (PETs) or Chargeable Lifetime Transfers (CLTs) depending on if this is an individual or the type of trust the gift is given to. For more information on gifting and the potential order in which gifts could be made, please see our [Order of gifting factsheet](#).

Third Party pension contributions

For many clients, their pension(s) are likely to be the second largest financial asset after a house. Yet pensions are often still viewed as a personal asset, when they can influence the holistic plan for the family.

Third party contributions allow someone, other than the scheme member such as a spouse, partner, parent, or other family member to contribute to a pension, when perhaps the member doesn't have the ability to do it for themselves.

Third party contributions are often made because someone is having time away from work due to maternity/paternity leave, caring for a sick relative or are on long term sick. Parents and grandparents may also wish to use a pension as a "nest egg" for their children and grandchildren to help them on their financial planning journey. Pensions are one of the most tax efficient savings vehicles we can utilise, despite the upcoming changes which will bring unused pension funds into the estate for IHT purposes from April 2027.

Tax relief at 20% would be received by the scheme, for any third-party contributions made, as it is treated as a contribution by the member. If the scheme member is a higher or additional rate taxpayer, they could reclaim further tax relief via their self-assessment.

Something that will need to be considered by the person making the third-party contribution is any potential IHT considerations. Gifts between spouses and registered civil partners are in the main exempt, so there shouldn't be any implications for an individual contributing to a pension on behalf of their spouse/ partner.

Contributions made within exempt gifts should also be fine (see the [Order of gifting factsheet](#) for more detail). Gifts made, which are not exempt would be classed as potentially exempt transfers (PETs). If death occurs within seven years from making gifts these will be the first element into the IHT calculation of an estate under the order of gifts. Therefore, individuals should check the gifts they have made in the past seven years and the type of gifts these are before embarking on making more PETs and advice should be sought.

Junior ISA (JISA)

For those looking to make gifts to their loved ones and invest this money for their future, a JISA could provide a suitable home.

A JISA needs to be started by a parent or someone with parental responsibility for the child, but once set up anyone can add to it, subject to a maximum subscription of £9,000 each tax year. This could make an ideal gift for someone instead of outright gifts on customary occasions such as a birthday or religious holiday.

There are some important considerations which need to be understood if you want to open and or contribute to a JISA as set out below:

- They are designed for minors who are under 18 and living in the UK, though if they live outside the UK, they could still have one if the parent is a Crown Servant or they depend on you for care.
- They can have a cash and/or a stocks and shares JISA, but they can only have one of each at a time. For example, you may wish to invest £9,000 into a cash ISA one tax year and then £9,000 into a stocks and share ISA the following tax year. Alternatively, you could invest £4,000 into a cash ISA and then £5,000 into a stocks and shares ISA.
- The JISA allowance can't be carried forward so if it's not used it's lost.
- The investment will benefit from being income and capital gains tax free.
- Making these gifts could have IHT implication. If they aren't exempt, they will be PETs. The individual making the gift should get advice to understand how the order of gifting and gifts given in the previous seven years could increase their IHT liability if they die within seven years of making non-exempt gifts.
- The recipient can take charge of their JISA from the age of 16 but can't make withdrawals from it until they are 18.
- For those who may have a Child Trust Fund (CTF) (set up prior to January 2011), £9,000 can be added to this each year. Unlike the JISA, this runs from the child's birthday rather than renewing every tax year. The child can't have a CTF and a JISA. However, as these are independent from each other, a £9,000 investment could be made to the CTF, transfer this to a JISA and then add another £9,000 into the JISA.

Summary

As regulation and legislation changes, so must the financial plans for our clients to maximise their tax efficiency. Those wishing to benefit from estate planning and make gifts for family and loved ones should look at what they have done this tax year, utilise allowances which have not been used and look forward to what they want to achieve in the new tax year. This is where advisers can add huge value. We need to understand what the rules are, any changes and then communicate them in an open, jargon-free way. This will stand clients in good stead to be able to achieve their financial goals.

Important Information: This information is based on our understanding of current legislation, including (but not limited to) FCA, PRA and HMRC regulation. It does not constitute any form of advice. Nucleus will take no responsibility for any loss which may occur as a result of reliance on this information. This factsheet is issued by the Nucleus Technical Support Team for use by financial advisers in connection with products provided by the Nucleus Group. The Nucleus Group does not accept any liability if the information provided in this document is used for any other purpose. This factsheet is based on our understanding of current UK legislation and HMRC practice at the date this document was produced. The tax treatment depends on the individual circumstances of each client and may be subject to change in the future.

www.nucleusfinancial.com

"Nucleus" is the trading name for Nucleus Financial Platforms Limited (registered in England, number 06033126, whose registered address is at Suite B & C, First Floor, Milford House, 43-55 Milford Street, Salisbury, SP1 2BP) and its group. Further details of the Nucleus Group can be found at nucleusfinancial.com (12/24)

0985.01
02-2026