

## WHAT COMES NEXT?

Navigating the challenges and opportunities

TALKING POINTS | YOUR INHERITANCE

**RECEIVING AN INHERITANCE CAN BE BOTH AN OPPORTUNITY AND A CHALLENGE, OFTEN COMING AT A TIME OF EMOTIONAL SENSITIVITY. IT'S IMPORTANT TO APPROACH THE SITUATION THOUGHTFULLY, MAKING DECISIONS THAT ALIGN WITH YOUR FINANCIAL GOALS AND CONSIDERING THEIR LONG-TERM IMPACT. HERE ARE SOME PRACTICAL STEPS TO HELP YOU MANAGE YOUR INHERITANCE WISELY.**

### Work out your priorities

Take your time – don't rush into decisions. Initially, it's a good idea to place any money you've received in a secure account, giving yourself the space to consider your next steps. Most banks only guarantee your savings up to £85,000, however National Savings and Investments (NS&I) offers 100% secure savings options backed by HM Treasury. This could be a safe place while you decide.

You may be weighing different options, such as how much to keep and how much to give away to your children or grandchildren. If you plan to pass it on, consider using your annual allowances to ensure any gifts are outside your estate for inheritance tax (IHT) purposes.

If your children are younger, you might consider setting up a trust, which allows you to maintain some control over how they use the money until they're ready to manage it themselves.

### Spend or save?

Your relationship with the person who has left you the inheritance might make you feel responsible for safeguarding it. The amount received might also make you feel this way. While it may not seem appropriate to splurge on luxuries, you could consider giving your children or grandchildren small amounts to buy something that will remind them of the person.

If you still have a mortgage, using some of the inheritance to pay it off could be beneficial. Evaluate whether it makes financial sense based on interest rates and any early repayment penalties. It's also worth considering if you have other debts, such as credit cards.

Think about other potential uses for the money, such as funding private school fees, now or in the future. Once you've allocated funds for debt repayment – either immediately or in the future, such as when your current mortgage term ends – you'll have a clearer idea of how much remains for other purposes.

### Options for inherited property

If you've inherited property, you might be wondering whether to sell or rent it out. The situation can become complex if you co-own it with siblings or other relatives, especially if someone is still living there. Open discussions with all involved parties are essential to explore your options and understand the implications of your decisions.



There may be emotional ties to the family home that make selling it difficult. Renting it out can also be challenging, as being a landlord comes with responsibilities and potential stress. You'll need to consider the costs, including any necessary improvements, insurance, ongoing maintenance and possible periods of vacancy.

Remember that rental income is subject to income tax, which may be at a higher rate than capital gains tax on investments. If you retain the property, it's wise to have an agreement among all owners about future sale options.

Selling the property offers many advantages, including full control over your share of the proceeds. This approach reduces stress and shields your inheritance from changes in legislation that continue to create a challenging environment for landlords.

### Your financial future

With the remainder of your inheritance, consider improving your financial future through saving and investing. If you're still working, topping up pension contributions could be an option.

Investing the money is another option. History shows that over the long term (five years or more) a portfolio comprising a mixture of assets (such as shares and bonds) has been one of the best ways to maintain its spending power from the impact of inflation. But it's important to remember, the value of investments can go down as well as up so you could get back less than you invested.

If you've inherited investments, it's crucial to ensure they align with your goals and risk tolerance.

What's right for you depends on various factors, including your age, personal circumstances, tax status, risk appetite and financial objectives. A financial adviser can help you clarify your priorities and develop a tailored plan.

### Next steps

If you've received an inheritance and would like to discuss your options, **please get in touch**.

With offices across the country, we can arrange a meeting at a convenient location or speak with you over the phone.

This information should not be taken as financial advice or a recommendation.

### KEEP IT IN THE FAMILY

If you've inherited jewellery or personal items, like a watch or painting, things can get complicated. Legally, these objects are yours, but they may hold sentimental value for the family. Consider how others might feel if you decide to sell a family heirloom, even if it's not of great monetary value. Open conversations are usually the best way to handle these issues.

### IT'S GOOD TO TALK

Conversations about money can be difficult, especially within families, where different values, priorities and emotions can clash. However, by giving everyone a chance to express what matters to them, you can prevent misunderstandings and disagreements.

Take time to discuss your plans for using and passing on your wealth with your family. Ensure you leave clear instructions about your accounts, including where to find your will and other essential details like account numbers and passwords.

Consider setting up a lasting power of attorney for property and financial affairs. This step can make it easier for your family to manage your affairs if you lose the capacity to do so yourself.

You can read our guide on how to gather together as a family to talk about financial plans **here** or scan to read.



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