PENGUIN



Giving While You're Living

Should you help your family now rather than leave everything until later?

Most Estate Planning conversations begin with a question about death. Who gets what when I'm gone?

There is another question that can be far more interesting: What if some of the money could do more good while I'm still here to see it?

Helping a child buy their first home. Supporting grandchildren through education. Making family life a little easier. Creating experiences together. Or simply giving somebody a head start at the point in life when it matters most.

That can be wonderful planning. But only if your generosity does not accidentally create a financial problem for future you.

This guide is about finding that balance.

General information only. This is not personalised Financial Advice, Tax advice or legal advice. Tax treatment depends on individual circumstances and may change.

1. An inheritance can arrive at a slightly odd time

Suppose you live to 95. That is good news, obviously. But if your children are 30 years younger than you, they may be 65 by the time they inherit. By then, the mortgage may be nearly gone. Their children may have left home. Their careers may be established. They may even be thinking about their own Retirement.

The money will still be useful. But would some of it have had a bigger impact at 30, 35 or 40?

> That is the idea behind giving while you're living. It is not about trying to leave nothing behind. It is about asking whether the timing of your help matters as much as the amount.





2. £50,000 now or £100,000 later?

Imagine you want to help your daughter. You could preserve as much wealth as possible and leave her a larger inheritance one day. Or, if your own Financial Plan shows you can comfortably afford it, you could help earlier.

The future £100,000

Worth more on paper.

The £50,000 now

Could be worth more to her life.

Perhaps £50,000 now helps with a house deposit. That could reduce the mortgage she needs, the interest she pays and the pressure on the family's monthly finances. Perhaps it means they can buy near a better school, reduce childcare pressure or simply have more breathing room.

Financial value and life value are not always the same thing.

Penguin Perspective

A good Financial Plan should not only ask, 'How much can I leave?' It should also ask, 'When could this money be most useful?'



3. What could giving earlier actually do?

There is no correct use for a lifetime gift. It depends on the family.

- A first-home deposit.
- University or professional education costs.
- Help with childcare while careers are developing.
- Paying down expensive debt.
- Helping somebody start or grow a business.
- A wedding or other important family event.
- Support during a career break.
- Creating a family holiday or experience together.
- Helping grandchildren begin saving or Investing.
- Simply making life a little easier at a difficult point.

And there is something an inheritance can never give you: The chance to see the difference your money made.

4. But can you actually afford to give it away?

This is the most important page in the guide.

Before Tax. Before gifting allowances. Before Trusts. Can you afford it?

Not just this year.

> What if you live to 100?

> What if Investment returns disappoint?

> What if inflation is higher?

> What if you need more income later?

> What if care becomes necessary?

> What if you want to move house, travel more or help somebody else too?

Cashflow modelling can help test those possibilities. The aim is to identify the amount you could give away and never reasonably expect to need back. Because once an outright gift is genuinely made, that is exactly how you should think about it.





5. Your Financial Independence comes first

There can be an emotional pressure around gifting. You have the money. Your children could use it. Why not help?

Because your future matters too. You should not need to make yourself financially dependent on the people you were trying to help. Nor should you spend Retirement worrying whether you gave too much away at 65.

A good gifting plan protects your ability to:

- meet normal living costs;
- cope with unexpected expenditure;
- enjoy Retirement;
- deal with later-life needs;
- maintain an appropriate emergency reserve; and
- change your mind about what you want from life.

Generosity feels considerably better when it is backed by confidence.

6. What about Inheritance Tax?

Lifetime gifting can also affect Inheritance Tax, but Tax should be the second conversation, not the first.

There are several exemptions that may be relevant under current rules.

Annual exemption

An individual can currently give away up to £3,000 each Tax year using the annual exemption. In some circumstances, unused exemption from the previous Tax year can also be carried forward for one year.

Small gifts

Small gifts of up to £250 per person can potentially qualify, subject to the rules.

Wedding or civil partnership gifts

Specific exemptions can apply, with the amount depending on the relationship to the person getting married or entering a civil partnership.

Normal expenditure out of income

Regular gifts made from surplus income can potentially be exempt from Inheritance Tax where the relevant conditions are met, including that they form part of normal expenditure and do not reduce your usual standard of living. This last exemption can be particularly valuable, but good records matter.

7. And what is the seven-year rule?

Larger outright gifts to individuals are often Potentially Exempt Transfers, usually shortened to PETs.

If you survive seven years after making a qualifying gift, it will normally fall outside the Estate for Inheritance Tax. If you die within seven years, some or all of the gift can still be relevant to the IHT calculation.

Taper relief is often misunderstood.

It can reduce the Tax payable on certain gifts where death occurs more than three years after the gift, but it does not simply reduce the value of every gift year by year. And because gifts generally use the Nil Rate Band before the remaining Estate, the calculation can be more complicated than 'give it away and wait seven years'. Seven years is a Tax rule.

It should not become the reason you give away money you may still need.





8. Should I give cash, assets or something else?

How you help can matter as much as how much you help.

An outright cash gift is simple, but it gives the recipient complete ownership.

Gifting Investments or property can create other Tax consequences, including Capital Gains Tax.

Trusts can sometimes provide more control or protection, but they introduce their own legal, Tax and administrative considerations.

And sometimes the better answer is not a gift at all. You might pay for something directly, lend money on properly documented terms, contribute regularly from surplus income, or simply decide the timing is not right.

The planning should fit the purpose.

9. What if I want to protect the money?

This is where family life enters the spreadsheet.

You may want to help a child but worry about:

- a relationship breaking down;
- bankruptcy or financial difficulty;
- a beneficiary being too young;
- poor financial decision-making;
- vulnerability;
- future remarriage; or
- keeping wealth within the wider family.

An outright gift gives the recipient control. That may be exactly what you want. Where it is not, Trust or other Estate Planning may deserve consideration. But protection and Tax planning are not the same objective. A structure that provides valuable family protection may carry different Tax and administrative consequences.

Start by defining the problem you are trying to solve.



10. Fair does not always mean equal

One child needs help with a house. Another is already financially secure. One grandchild goes to university. Another starts a business. If you help people at different times and in different ways, somebody may eventually ask whether it was fair.

Equal

Everybody receives the same.

Fair

Helping different people with different things at different points in their lives.

That is why the family conversation matters.

There is no universal answer. But unexplained decisions have a habit of becoming family stories, and not always flattering ones. Where appropriate, explain the thinking while you are here to explain it.



11. The Family Help Test

Before making a significant gift, ask yourself:

- ☐ Do I genuinely want to make this gift?
- ☐ Can I afford never to get the money back?
- ☐ Have I tested my own long-term Financial Independence?
- ☐ What is the gift actually going to help achieve?
- ☐ Is now a particularly valuable time for the recipient to receive it?
- ☐ Do I understand the Inheritance Tax position?

- ☐ Could there be Capital Gains Tax or other Tax consequences?
- ☐ Do I want the recipient to have complete control?
- ☐ Is protection through a Trust or another structure worth considering?
- ☐ Have I thought about fairness across the wider family?
- ☐ Should I record the gift and the reason for it?
- ☐ Does my Will or wider Estate Plan need updating afterwards?

If you cannot comfortably answer the first three, stop there. The Tax planning can wait.

12. What could a family giving plan look like?

It does not need to be one enormous cheque. A family might decide to:

- use annual exemptions each year;
- make regular gifts from genuine surplus income where the rules allow;
- set aside an amount for grandchildren's education;
- help each child with a first-home deposit when the time comes;
- make larger gifts once cashflow modelling confirms they are affordable;
- retain a sensible reserve for later life; and
- review the plan annually as family circumstances change.

> The point is not to maximise gifting. It is to make generosity intentional.

A useful family question

If we knew we would eventually leave this money anyway, is there a better time for some of it to change somebody's life?





13. Penguin Perspective: see the smile

Estate Planning can become very focused on the day you are no longer here. There is an obvious reason for that. But wealth can have a purpose before then too.

There is something rather wonderful about helping somebody you love and being there for the result.

> Seeing the front door of the first home.

> Watching the grandchild graduate.

> Taking the family on the trip.

> Seeing somebody breathe a little easier because the pressure has reduced.

You cannot put that on an Inheritance Tax calculation.

Of course, none of this means you should give away money recklessly. The first responsibility of your Financial Plan is to make sure you are okay. Once you know that, the conversation becomes much more interesting: What is the money for now?

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