

## Things You Need To Know About Inheritance Tax & Some Ways To Reduce It

Inheritance tax is a tax that you have to pay when you die which comes out of the financial estate that you leave behind. You only pay it over a certain threshold. The good thing about inheritance tax is that it can be greatly reduced if you think about it in advance and prepare your financial affairs so that you end up paying less.

So what can you do to reduce your inheritance tax bill ? Well a major way of reducing this bill is available to you if you have a spouse. If you have a spouse then anything you leave to them is inheritance tax free regardless of how much you leave them. If you have children, then you may want to give them some of your money too, in which case you could leave them an amount up to your inheritance tax allowance and leave the rest to your spouse which would mean you would still not pay any of this tax. Then in the future when your spouse dies he or she can leave another amount equivalent to their inheritance tax allowance to your children meaning that your children would have received double the amount of inheritance (free of tax that is) than if the all that money had been passed on to them when you died.

Another way to reduce it is to gift some of your money whilst you are alive to the people you wish to benefit from your estate. Bear in mind though that this is only a good idea if the person you are gifting your money to does not have inheritance tax issues themselves. The other thing to think about before gifting some of your money is the effect this might have on the person receiving the money. For instance if you leave a big sum of money to a young person this may discourage them from building wealth of their own.

If you are not happy to do any of the above options then you could still prepare for your inheritance tax bill by taking out a life insurance policy sufficient to cover it when you pass away.

Hopefully this article will encourage you to think about and make the suitable inheritance tax planning arrangements for your life so that you can make sure your family and friends receive the most possible from your estate instead of giving it to the taxman.

### About the Author

Miguel Poza runs a website about personal finance and saving money where you can find out about many free money saving tips and read other personal finance related articles which will help you save money on your finances. You can check it out at <http://www.moneyhelper.co.uk>

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