HOW TO PASS(OVER) wealth to the next generation

One of the most important aspects of seder night is passing on the story of Passover to the next generation, but what about when it comes to leaving your assets?

POOR INHERITANCE PLANNING can create family disputes and leave your loved ones with a hefty tax bill.

Jan Atkinson, head of the private client department at legal firm Osbornes Law, says it is vital to make a will that sets out to whom you are leaving assets such as money, jewellery or other possessions and avoids disputes over an inheritance and who administers the estate.

"It may be tempting to use a low-cost DIY will writing service, but a solicitor can help advise on tax advantages and ensure the document is written in a tax efficient way," Atkinson says.

The way you spend, save and hold your money may also have a big impact on the inheritance tax charged on your estate, which is the posh name for all assets and money you leave behind when you die.

Some careful tax and financial planning can help mitigate how much tax is owed. The tax is charged at 40 percent, but reduces to 36 percent if more than 10 percent of the estate is left to charity.

Everyone's estate has a £325,000 allowance before inheritance tax is due, known as the nil-rate band. This is also boosted by an extra allowance for the main residential property, which will be £175,000 from the next tax year on 6 April.

This means you can technically pass £500,000 to your loved ones before any inheritance tax is due.

Most assets are also automatically passed between spouses without any inheritance tax, regardless of the value. The allowance is also passed between married couples and those in civil partnerships.

So, say grandpa Moishe dies, his nil-rate band allowance of £325,000 plus the £175,000 main residence exemption can be passed to his wife Zipporah tax-free. When she dies, Moishe's £500,000 estate is added to hers of the same value, giving a total of £1 million that she could pass to direct descendants without any tax being due on her estate.

There are steps you can take if your assets are worth more than this, or if you just want to reduce the value of your estate.

One area is pensions.

Joshua Gerstler, financial planner at advisory firm The Orchard Practice, says pension pots aren't counted as part of your assets for inheritance tax purposes and, similarly, life insurance payouts are exempt as long as they are written in trust.

He also suggests feeling free to spend your money.

"If you have worked hard and saved and built up enough money, now is the time to enjoy it. Life is not a rehearsal, so spend it before it's too late," Gerstler says. "You can also give it away.

"You have a £3,000 'gift allowance' each year, which is £6,000 per couple. In addition, you are able to make small gifts of up to £250 per year to anyone you like.

"Many of our clients want to be around to see their children enjoying their inheritance rather than wait until after they have gone."

If you are worried about your loved ones being able to pay an inheritance tax bill, you can also take out a whole of life insurance policy to cover the bill, but Gerstler warns to make sure this increases with inflation each year as the value of your assets, and therefore the tax bill, is likely to grow.