chapter3.
FINANCIAL PLANNING

A CHAPTER3 GUIDE

How Much Can You *Give Away?*

Helping the family now without weakening your own retirement later.

A practical guide to deciding how much is genuinely affordable, when the money would be most useful and whether a gift, loan or more controlled structure is appropriate.

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The tax question is *not the first question*.

A gift should help the recipient without making the donor financially vulnerable.

Most people begin with one question. The more important question is the second.

MOST PEOPLE BEGIN WITH

"How much can I give away without paying Inheritance Tax?"

THE MORE IMPORTANT QUESTION

"How much can I give away while keeping the life, security and flexibility I may still need?"

A gift is normally permanent. The donor may live longer than expected, experience difficult investment markets, spend more than planned, need to support a partner, face care or health costs, want to move or adapt the family home, or change their mind about the help other family members may need.

Before discussing exemptions or seven-year periods, the plan should establish expected household spending, secure pension and other income, accessible cash reserves, major future costs, investment and inflation risk, later-life and care scenarios, and how much flexibility the donor wants to retain.

The cashflow model comes before the tax calculation.

COLIN'S VIEW

A good gift should feel generous, not reckless. The donor should be able to enjoy seeing the family benefit without becoming quietly anxious about their own future.

A gift has to pass *more than one test*.

The lowest tax bill is not enough on its own.

ONE

Is it affordable?

Can the donor continue funding the expected lifestyle after allowing for:

- longevity;
- inflation;
- difficult markets;
- health and care;
- large future costs?

TWO

Is it useful now?

Will the money make a meaningful difference? It may help with:

- a home;
- education;
- childcare;
- a business;
- financial difficulty;
- greater security.

The same gift may be far more valuable at 30 than at 60.

THREE

Is it fair?

Have earlier gifts and different family needs been considered? Equal amounts do not always produce an equally fair result.

FOUR

Is the donor comfortable losing control?

After an outright gift, the recipient normally owns the money. They may:

- spend it;
- invest it;
- lose it;
- divorce with it;
- leave it to somebody else.

> **Where one test is not satisfied, the answer may be a smaller gift, a loan, staged payments or a more controlled structure.**

The principles in *one page*.

Tax matters, but it follows the affordability decision.

Annual exemptions

Each person can currently give away up to £3,000 each tax year using the annual exemption. Unused allowance can normally be carried forward for one tax year. Other limited exemptions can apply to small gifts, weddings, gifts between spouses or civil partners and gifts to charity. These allowances are useful, but they are not a limit on how much can be given away.

Larger outright gifts

Most outright gifts to individuals begin a seven-year period. If the donor survives seven years, the gift is generally outside the estate for Inheritance Tax. If the donor dies earlier, the gift may need to be considered when calculating the estate. The order, timing and total value of earlier gifts matter.

Gifts from surplus income

Regular gifts may be immediately exempt where they:

- form part of the donor's normal expenditure;
- are genuinely made from income;
- leave enough income to maintain the donor's usual standard of living.

There is no single fixed monetary limit, but the pattern and affordability should be recorded properly.

Continuing to benefit from the gift

Giving an asset away does not normally remove it from the estate where the donor continues to benefit from it. For example, giving a house to the children while continuing to live there rent-free is unlikely to achieve the intended result.

> **The tax treatment depends on what was given, to whom, when, and whether the donor genuinely gave up ownership and benefit.**

Tax rules and allowances may change. Significant gifts should be reviewed with the appropriate tax and legal advisers.

An outright gift is *only one option*.

Choose the structure around the family objective.

Outright gift

USEFUL WHERE

The donor is comfortable giving the money permanently and the recipient is ready to own it.

MAIN TRADE-OFF

The donor loses control and the asset becomes exposed to the recipient's personal and financial circumstances.

Family loan

USEFUL WHERE

The family needs help now, but the donor wishes to retain a legal right to repayment.

MAIN TRADE-OFF

The outstanding loan normally remains an asset of the lender's estate unless it is later repaid, waived or otherwise planned.

Staged gifts

USEFUL WHERE

The donor wants to test affordability, help at different stages or avoid making one very large irreversible decision.

MAIN TRADE-OFF

Each later gift has its own timing and tax position, and expectations need to be managed.

Trust or other controlled structure

USEFUL WHERE

The beneficiaries are younger, access needs controlling or wider family protection is important.

MAIN TRADE-OFF

Trusts involve legal work, tax rules, trustees, reporting and ongoing administration. They should only be used where the additional control genuinely justifies the complexity.

> **There is no universally superior structure. The legal and tax solution should follow the family objective — not create it.**

Jane and Michael would like to give *£500,000 to their children*.

What does affordable actually mean?

Jane and Michael are both 69. They have:

Family home	£900,000
Pensions and investments	£2,400,000
Secure pension income	£42,000 a year
Planned household spending	£85,000 a year
Proposed gift	£250,000 to each of two children

The tax explanation is straightforward: two outright gifts would normally begin separate seven-year periods. The planning decision is more important.

Before making the gifts, the plan should test:

- spending throughout retirement;
- the effect of an early market fall;
- the accessible reserve they should retain;
- possible care and housing costs;
- whether spending may change later;
- gifting £500,000 now;
- giving a smaller amount now and more later;
- regular help from future surplus income;
- how earlier support between the children should be treated.

The answer may still be £500,000 now. It may instead be:

- a smaller initial gift;
- staged payments;
- part gift and part loan;
- regular support from income;
- no immediate gift.

The right amount should come from the lifetime plan — not simply from the current bank balance.

Simplified illustration only. It is not a recommendation. Actual affordability depends on spending, income, investment risk, tax, health and family circumstances.

A successful gift is understood by *the whole family*.

Clarity matters after the money moves.

Agree what the money is for

A gift for a house deposit may be treated differently from general financial support. The purpose should be clear before the money is transferred.

Consider fairness

Record:

- significant earlier gifts;
- loans;
- education or business support;
- whether the new gift is intended to equalise earlier help;
- whether equal amounts are genuinely the objective.

Decide what the family should know

The donor does not need to hold a family referendum. But silence and ambiguity can create avoidable resentment. A clear conversation or letter of wishes can help.

Keep useful records

Record date, recipient, amount or asset, purpose, exemption or expected treatment, whether the gift came from income or capital, and relevant bank statements, valuations or legal documents. For regular gifts from income, also retain evidence of income, expenditure and the gifting pattern.

How Chapter3 helps

- model the amount that appears affordable;
- compare gifting now with staged alternatives;
- test difficult market and later-life scenarios;
- consider both spouses' positions;
- bring the gift into the wider retirement and estate plan;
- coordinate with the solicitor and tax adviser where required.

The objective is not simply to remove money from the estate. It is to help the family at the right time without creating a future problem for the donor.

Give from *genuine surplus*.

How much could you help with while still protecting your own future?

A 30-minute introductory call is enough to discuss:

- the amount you are considering;
- what the recipient needs the money for;
- your current assets and secure income;
- the lifestyle and reserve you want to retain;
- previous family gifts or loans;
- whether a gift, loan or staged approach deserves further consideration;
- whether detailed cashflow modelling is likely to add value.

Rough figures are enough for the first conversation. An approximate schedule of assets, income, spending and previous gifts is a useful starting point.

If the proposed gift already appears sensible and proportionate, I will say so.

Book a 30-minute *introductory call*

BOOK YOUR CALL

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No fee for the introductory call. No obligation to proceed.