



The Great Wealth Transfer



Contents

Section	Page
1. How to get the wealth transfer conversation underway	3
2. Why you can never be too young to think about passing on your wealth	5
3. How Family Trading Companies can simplify the intergenerational wealth transfer	8
4. A very different take on investment: Judging what young people want from their portfolio	10
5. Real benefits, real change: Turning legacies into a force for good	12
6. Easing succession: Smart ways to pass on your business	15
7. Safeguarding legacies following divorce and remarriage	18

How to get the wealth transfer conversation underway

Inheritance can be a difficult subject to bring up with your loved ones. Yet, sitting down with your family to discuss wealth transfer would help you to gain a deeper understanding of their different expectations and resolve any potential disagreements. In this series on the Great Wealth Transfer, Jonathan Gain, CEO of Stellar Asset Management, looks at how to get the conversation going in a way that engages and benefits all the various members of your family.

Few people feel **comfortable talking about money**, least of all the 'great taboo' of inheritance. Indeed, one study found that a **fifth of British people feel that inheritance is the most awkward thing they could ever discuss**. So why are families so reluctant to discuss wealth transfer and why might they be losing out as a result?

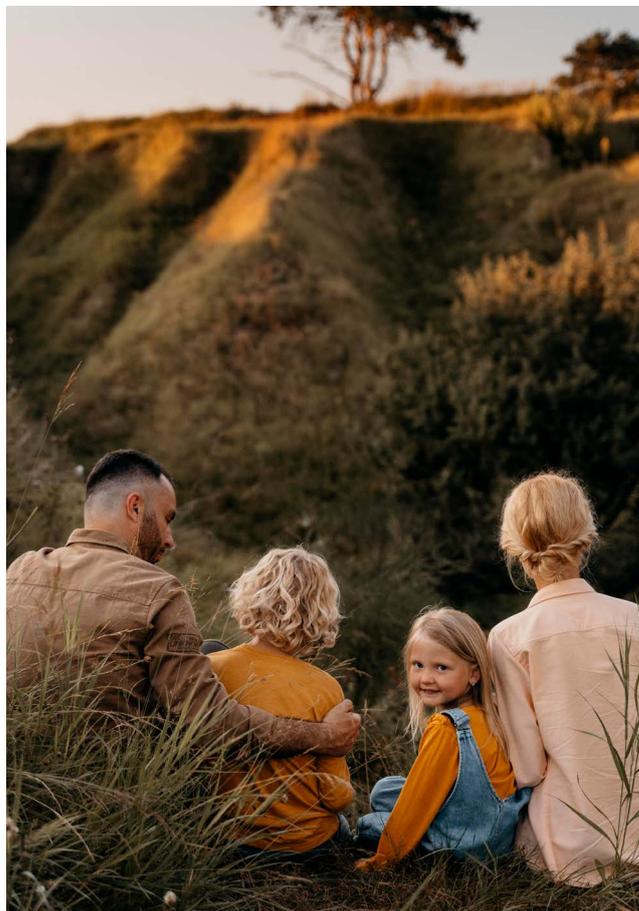
Leaving it too late

Many people would rather not talk about inheritance because it reminds them of their mortality. The time they finally do initiate these conversations is often when they have had a sudden health scare and are worried that they will not be around for much longer. By then, however, the time to plan may be limited.

By talking to your family now, you can not only broaden your options, but also discuss ways to benefit your loved ones when they need it most. This might be helping younger family members to put down a deposit on a flat, rather than simply passing on the money when they are in their fifties and sixties and are already well set.

Saving your family from a hefty tax bill

Failing to discuss and plan wealth transfer also makes it more likely that your beneficiaries will be left with a 40% inheritance tax (IHT) bill. Giving while you are living could eliminate the IHT. However, it is important to sit down with your family to agree on the best approach.



Possible options include a gift or lifetime trust. However, these need to be in place for at least seven years to be IHT free. They also come with a lot of restrictions and legal costs.

A generally faster, more flexible and less complicated alternative to gifts and trusts is Family Trading Companies. By investing in assets qualifying for Business Relief, your family's capital can be IHT free in two years. From April 2026, the Government plans to impose a £1 million cap on full Business Relief, but the vast majority of Family Trading Companies assets would still be below this ceiling. Sums above £1 million would qualify for 50% IHT relief.

Five ways to set up a great conversation

So how can you overcome the reservations to get the wealth transfer conversation – or more likely conversations – underway? Five priorities stand out:

1. Create an emotional connection

A good way to break the ice is talking about what your parents left you and what it meant – this could be a valuable piece of advice or family heirloom as much as money. You can then ask your loved ones what they would want from you – it might be an item with emotional significance or the chance to invest in the future for them and their family.

2. Focus on the here and now

Focusing the conversation on life planning rather than what happens when you have gone can help to dispel some of the awkwardness and create a sense of urgency within the various members of your family. Topics to bring up might include how to eliminate IHT or help loved ones at a time of financial need.

3. Agree to disagree

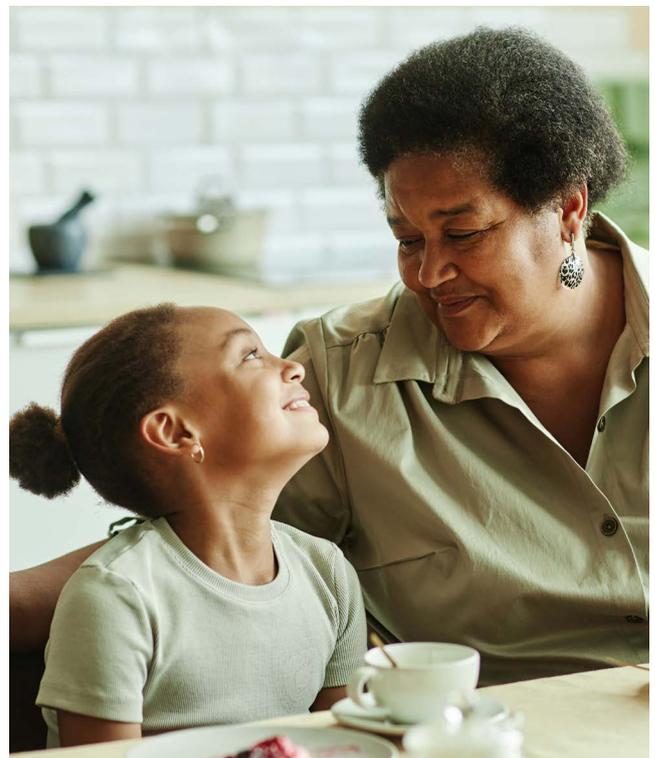
By explaining why you have made certain decisions, there will be no surprises. Moreover, by sharing your thinking in person, you can gauge the reaction and find ways to resolve any conflicts. Financial goals will invariably differ from one family member to the next. However, you do not have to find a one-size-fits-all solution. One of the great advantages of the Family Trading Companies option is that each beneficiary can be the sole shareholder in a company specifically set up to meet their particular objectives and investment preferences. The big risk is allowing these conversations to turn into a lobbying session. It is your money at the end of the day and you should have the final say. Choosing Family Trading Companies over a lifetime gift or trust would enable you to pass on your wealth in the way that you choose, while retaining control over the assets for as long as you want.

4. Prepare your heirs

You might be worried that beneficiaries will not know what to do with their newfound wealth or fritter it away on spending sprees and ill-judged investments. Encouraging them to become involved in your estate planning at an early stage can therefore help to boost their financial literacy and responsibility. A good way to prepare your heirs is to pass on the money a little at a time and see how they react. Using the money to pay off debts or get on the housing ladder are all signs of sound financial sense and a reassurance that further funds will be well spent. However, if the money is gone almost as soon as it is handed over, it might be time to invite them around for some one-on-one guidance.

5. Seek out a good adviser

Good advisers are keen to engage with all the different generations within the family, guide them through the discussions and draw out what each beneficiary may want or need. They can also explain the pros and cons of the different wealth transfer solutions and advise on what would work best for your particular family.



Why you can never be too young to think about passing on your wealth



If you are in your thirties or forties, passing on your wealth is likely to be the last thing on your mind. You may also be reluctant to discuss inheritance with your parents and grandparents. Yet, with **inheritances set to make up 14% of a millennial's average lifetime earnings**, it is better to start planning now rather than leaving the timing and direction of wealth transfer to chance. In this in our series on the Great Wealth Transfer, Jonathan Gain, CEO of Stellar Asset Management, looks at how to start creating an enduring multigenerational financial solution, which can not only benefit you and your family now, but also long into the future.

The UK's baby-boomers are set to pass on more than **£5 trillion** to their millennial and Gen Z children over the coming 30 years in what has come to be known as the 'Great Wealth Transfer'. Given the staggering amount of money involved, it is surprising how few families discuss how to make the best use of and manage these funds.

Putting your money where it is needed most

So why should you start the wealth transfer conversation now? If you are a baby-boomer, the first key reason is the risk of the money going to the wrong people at the wrong time. The default is leaving your assets to your kids when you die. But your children could be near retirement themselves by the time they receive their inheritance (**UK millennials will have to wait until they are 61 on average**).

It may therefore make sense to skip a generation by passing the wealth to your grandchildren so they can use it when they need it most – paying off student debt or getting on the housing ladder, for example. You might also think about transferring the wealth when you are alive rather than gone, so your beneficiaries are not left to pay 40% of it in inheritance tax.

Safeguarding your wealth

The big risk is squandering away the inheritance or losing it through poor investment choices. **A 20-year study in the US found that around 70% of affluent families had lost their wealth by the second generation, and 90% by the third. The losses are often put down to what has come to be known as the 'generational wealth curse'.**

In reality, the problems are more likely to stem from lack of guidance and support. Further research in the US found that more than half

of beneficiaries are unsure about **how to manage their future inheritance**.

Talking to your parents' financial adviser could help. However, **research** in the UK suggests that surprisingly few advisers engage with beneficiaries or try to get to know about their ambitions and expectations. This disconnect is often compounded by a reluctance to hire and train the younger advisers who younger clients would prefer to work with. Despite the fact that nearly 60% of financial advisers are aged over 50, three-quarters of practices have no active policy to hire younger advisers.



Five ways to take the stress out of wealth transfer

So looking across the generations, what would be my five tips for planning ahead and making the most of the intergenerational wealth transfer opportunity?

1. Get your documents in order

Start with the basics. Get all your bank records, property deeds and other important documents ready to share. Even if you cannot get everything together in one go, you can still save a lot of hassle by sharing the key log-ins with your partner and next of kin. You can then begin planning ahead, making a will and engaging with your family.

2. Start the conversation

Sit down with your family. Find out what each of them wants from the inheritance and how to plan for this. You might be reluctant to talk to your family about wealth transfer. However, the sooner you start the conversation, the more you can avoid conflicts and surprises.

3. Recognise that everyone wants something different

Some family members might want to invest the money, others spend it. If you have a family business, some might want to take it forward, while others will want their share without staying involved. As we explored in an earlier article in the Great Wealth Transfer series, setting up a Family Trading Companies for each beneficiary would allow you to tailor the solution around their particular life goals and investment preferences.

4. Eliminate inheritance tax liabilities

The other big advantage of setting up a Family Trading Companies is eliminating inheritance tax liabilities. The key is investing in assets that qualify for Business Relief, such as hotels, housing developments and commercial forestry, as they are currently exempt from inheritance tax after two years rather than the seven for a trust. From April 2026, 100% IHT relief will only be available on qualifying assets valued at up to £1 million, with the remainder attracting relief at 50%.

However, the vast majority of Family Trading Companies assets would be below this £1 million ceiling. A further benefit of Business Relief qualifying assets is that the investments are not counted in your pension allowance, which could be especially attractive if it looks like you might reach the ceiling before you retire.

5. Find a good adviser

A good adviser will want to engage with your family and help all of you plan ahead for wealth transfer. They will also be investing in the younger talent and new ways of engaging with clients needed to serve clients, across different generations.



How Family Trading Companies can simplify the intergenerational wealth transfer



The UK's baby-boomers are set to pass on more than £5 trillion to the next generations over the coming 30 years in what has come to be known as the 'Great Wealth Transfer'. However, a lot of this hard-earned wealth could be lost if families get caught up in costly disputes or find themselves paying a hefty 40% of the legacy in inheritance tax. So how can your family reap the full benefit from the money coming down through the generations? In this series of articles focusing on the implications of the Great Wealth Transfer and how you can manage them, Jonathan Gain, CEO of Stellar Asset Management looks at how a Family Trading Companies can provide the answer.

You have a house. You have some savings. You might have other assets like buy-to-let property or a thriving business. However, have you sat down with your loved ones to discuss how to pass on this wealth in the fairest and most efficient way?

Like most Britons, the answer is likely no. Indeed, **less than half of UK adults have made a will,**

let alone talked about the inheritance with their children, grandchildren and other beneficiaries. The time that people finally do initiate these conversations is often when they have had a health scare or reach advanced old age. By then, the options and time to plan may be limited.

The big taboo

Why is there such a taboo about discussing legacies? Many people associate these kinds of conversations with terminal illness and death. Some people might also shy away from discussing bequests for fear it could cause family arguments or the potential beneficiaries might avoid creating their own wealth in anticipation of a substantial inheritance.

Independent financial advisers often share this reluctance to talk about inheritance. Good advisers are now helping their clients plan for their later years rather than just promoting particular financial products. Changes in the training for chartered financial planning qualifications have cemented this shift in

approach. However, few advisers have taken the next step by initiating conversations about wealth transfer and engaging with the wider family. Research indicates that advisers are missing out on a huge amount of funds under management as a result of this failure to reach out to younger generations.

Missing the mark

So what are the possible solutions to these wealth transfer dilemmas? Google inheritance tax and you will almost invariably be prompted towards some form of trust. However, the IHT exemption on a trust only kicks-in after seven years, by which time it could be too late.

Setting up a trust can also entail a huge amount of paperwork and legal fees, while locking in the capital and forcing you to relinquish control over its management. From a family perspective, the one-size-fits-all nature of a trust makes it difficult to tailor it to the demands of different generations and individual family members.

The alternative of a family investment company would allow you to retain control over the assets. However, the inclusion of investments such as equity and property means that the portfolio would still be liable for IHT.

Other commonly promoted options include taking out life insurance to cover the IHT liabilities. However, you would still need to factor in the premiums, while the pay-out could itself be liable for IHT. Moreover, life insurance does not address the central question of how to transfer the wealth in a way that takes account of the family dynamics and reflects the needs and wishes of different family members.



Flexible, accessible and tax-efficient

A lot of these options come with significant downsides – as an alternative, it is worth considering Family Trading Companies. Under this option, each beneficiary would be the sole shareholder in a company set up to meet their particular life goals and investment preferences.

As with a family investment company, shareholders retain full control over the portfolio rather than passing it over to a trust. However, by investing in assets that qualify for Business Relief such as hotels, housing development and commercial forestry, the family trading company is currently exempt from IHT after just two years. **From April 2026, 100% IHT relief will only be available on qualifying assets valued at up to £1 million, with the remainder attracting relief at 50%. However, the vast majority of Family Trading Companies assets would be below this £1 million ceiling.**

Other key benefits include the investment security of being backed by the tangible assets of land and real estate, while supporting job creation and sustainability goals within the UK economy. It also provides clarity to beneficiaries about what funds are held where.

In other articles, we will be digging deeper into the challenges and opportunities opened up by the Great Wealth Transfer and how you and your family can manage the risks and reap the benefits.

A very different take on investment

Judging what young people want from their portfolio



Investor expectations are taking a radical shift as wealth passes from one generation to the next. In this series on the Great Wealth Transfer, Jonathan Gain, CEO of Stellar Asset Management, looks at what young people want from their legacy portfolios and how independent financial advisers can keep pace with Millennial and Gen Z beneficiaries' changing demands.

As the UK's baby-boomers pass on more than **£5 trillion** to the next generations over the coming 30 years, young people are set to acquire significant financial power.

A crucial question for advisers is how these younger beneficiaries want to manage their newfound wealth. Not only do they have a very different take from their parents and grandparents on where they should invest, but also how.

Three ways young people are shaking up the investment market

1. Young investors prioritise ESG, but won't compromise on returns

Young investors are far more likely to focus on sustainability, social inclusion and other environmental, social and governance (ESG) priorities than their baby-boomer parents and grandparents. However, young investors are not prepared to accept lower financial returns in exchange for meeting their expectations on ESG. As an adviser, you therefore need to find ways to deliver outstanding financial as well as social and environmental performance.

2. Young investors take their cues from influencers

Young people are increasingly looking for financial advice online and making their investments through digital channels. This shift could threaten advisers who fail to develop effective digital engagement and services. At the same time, it could open up growth opportunities for advisory firms as people start investing at an **earlier age**. The risk of advisers losing out could be heightened by the extent to which young investors now take their cue from **social media influencers** ('finfluencers') rather than professional advisers, though **social circles** also shape their financial decisions. While the digital shift is democratising investment, it could also create growing hazards for susceptible young investors. The dangers include piling into the latest investment fads, taking excessive risks or becoming the victim of scams. As an **FCA study** highlighted, the vulnerabilities could be heightened by a tendency towards impulsiveness – two-thirds of young investors take less than 24 hours to make investment decisions.



3. Young investors can be surprisingly conservative

Research suggests that many young investors are more conservative in their investment choices than is often assumed. When you think that many have come of age during times of financial crisis this is perhaps unsurprising. Young investors tend to be more focused on **realising specific financial goals** rather than absolute returns, marking them out from their older counterparts. They measure performance on progress towards these objectives and are prepared to accept short-term losses if the long-term trends are in their favour.

Advisers cannot afford to stand still as young investors reshape their market. Yet research suggests that many advisory firms are underestimating the scale of the shift and risk from losing funds through intergenerational wealth transfer. Nearly half of the advisory firms taking part in the study had lost more than 20% of their AuM in the last financial year as a result of intergenerational transfers, with 15% reporting drops of 50% or more.

What is at stake for advisers

While the study found that a significant proportion of legacy beneficiaries choose not to use their parents' and other benefactors' advisers, a surprising number of advisory firms have no retention strategy. With younger clients preferring to work with younger advisers, the challenges of retaining beneficiaries are compounded by an ageing adviser workforce and a lack of active recruitment to bring in younger professionals.

Real benefits, real change

Turning legacies into a force for good

As **£5 trillion** passes from baby-boomers to their Millennial and Gen Z heirs, young people will have the financial clout to make a decisive difference to the environment and societies in which they live. Yet it is not always easy to judge whether investments are the genuine forces for good they claim to be. In the latest in our series on the Great Wealth Transfer, we look at how our company's distinctive approach to meeting environmental, social and governance (ESG) priorities is delivering real benefits, real change and real transparency.

As a young person, **your spotlight** on sustainability, social inclusion and other key ESG priorities is forcing investment managers and company boards to sit up and listen. They could lose out on a vast amount of funding if they ignore your calls.

Moreover, it is far from just young people who want to invest in companies that are committed to doing the right thing. **Recent research** indicates that a strong majority of investors believe that companies should embed ESG and sustainability directly into their corporate strategy.

No compromise

ESG expectations continue to evolve. The UK is not experiencing the kind of pushback against ESG we are seeing in the US. Nonetheless, UK investors are asking more **searching questions**. They want to make sure that ESG drives long-term growth, performance improvement and returns, rather than there being a trade-off between financial, environmental and social priorities. **Concerns over misleading or unsupported claims** – so-called 'greenwashing' – are also spurring growing demands for greater transparency and accountability.

Enduring commitment

For us here at Stellar, ESG is not a passing fad. We have always preferred to invest in and nurture businesses that create employment, enrich communities and safeguard our environment.



Thanks to the client funds invested in our Family Trading Companies, houses will be built, trees will be planted and jobs will be created. You are also supporting the real economy and long-term prosperity in this country, with our portfolio spread across a series of non-correlated asset classes, all tangible and all located in the UK.

In 2021, we took our commitment to ESG to the next level by signing up to the UN **Principles for Responsible Investment** (PRI). In line with the PRI, we make sure that we build ESG issues into our investment analysis and decision-making, as well as policies and practices as owners. A key part of this is screening the companies we invest in and monitoring performance.

Investor win-win

For us, ESG can deliver financial as well as social and environmental benefits by bolstering returns for our Family Trading Companies clients.

Our commercial real estate developments are a clear case in point. To augment the appeal of the light industrial units we have developed in Hoddesdon and Tunbridge Wells in recent years, the modern design includes the green and resource-efficient specifications needed to secure an **'excellent' Building Research Establishment Environmental Assessment Methodology (BREEAM) sustainability rating**.

The independent BREEAM assessment assures potential buyers and occupiers that

the development meets environmental best practice, while helping to boost operational efficiency and contain energy costs. With a **quarter of the UK's greenhouse gas emissions coming from buildings**, incorporating the environmental measures needed to secure an excellent BREEAM rating can have a hugely positive impact.

A high BREEAM rating can also help to boost investment returns. **Research** carried out by Knight Frank, the leading real estate consultancy and agency, highlights the extent to which positive BREEAM credentials make the units more attractive and potentially higher value to buyers and occupiers than if uncertified.



Credible measures

When rating investments and their performance, we recognise the need to build credibility and trust, not only in guarding against misleading claims, but also improving decision-making and returns.

Unfortunately, there is no one-size-fits-all approach to ESG assessment. The guidance from regulators is inconsistent and often open to interpretation. The challenges are exacerbated by ESG rating agencies' use of quite different methodologies. This can often lead to contradictory results, where the same company is deemed 'good' or 'bad' depending on how the rating agency weights each of the environmental, social and governance factors.

So we recognised the need to create our own approach to ESG assessment, which is designed to be both holistic and pragmatic.

We have established bespoke questionnaires for each sector which aim to get to the heart of what good practice looks like across each respective industry. Answers to these questionnaires help form the basis for strengths, weaknesses, opportunities and threats (SWOT) analysis. Using the results, we score each of our asset-backed

businesses out of a total of 40 points, with 10 points on offer for each of the environmental, social and governance factors, as well as progress as part of their direction of travel (DOT).

We analyse the companies or business opportunities we are looking to invest in prior to approving any funding and at least annually thereafter. They must score 24 out of 40 points to qualify for investment.

We support improvement in ESG quality and disclosure by developing annual action plans for each of the businesses we invest in. If their scores fall below 24 on follow-up assessment, they will be subject to enhanced scrutiny and have 18 months to improve or risk divestment.

Never stand still

What this all adds up to is an approach to ESG that is both tangible and transparent. However, we recognise the importance of continuous improvement, which is backed up by periodic assessment and guidance from the PRI.



Easing succession

Smart ways to pass on your business



Selling or passing on your business might seem like a natural next step in your life. Yet business succession can be fraught with challenges, from the impact of losing the founder to the potential for family infighting. There is also an intricate web of tax obligations to manage. In this series on the Great Wealth Transfer Jonathan Gain, CEO of Stellar Asset Management, looks at how to prepare for successful business succession without the headaches and costly tax hits.

You can be justifiably proud of the thriving business you have created. Yet, there will come a time to hand over the reins. You might want to pass on the running of the company to one of your children. Alternatively, you might want to sell the enterprise or your share in it so you can step back, spend more time with your family and enjoy some of your hard-earned wealth.

When the succession comes, you will naturally want to realise the full financial rewards for all your ingenuity, innovation and hard work.

There is also a significant amount of emotional value wrapped up in your cherished business. You want to make sure it is in good hands – transition smoothed, employees taken care of and a bright future ahead.

What to look out for

The big risk is failing to properly prepare for what is a highly challenging next step in your life from a business, financial and family perspective.

Business challenges

The main business issues centre on what happens when you have gone. Could the loss of you as the founder, driver and public face of the company impair its value? Who is going to take the helm – a chosen successor within your family or one of your management team? How can you ensure continuity during the handover?

Financial challenges

If you are selling, the immediate financial challenge is how to secure the best price. Yet, this is only part of the story. Some of the trickiest financial issues centre on the tax implications, which could wipe out a huge amount of the value built up in your company.

Profits from a sale could be subject to capital gains tax (CGT). If you are a sole trader or business partner, you may be able to reduce the CGT rate by claiming business asset disposal relief (formally known as entrepreneur's relief).

However, the relief only applies to trading activities rather than investments such as property holdings. If your cash reserves are more than you need to meet your working capital needs, these may also be classed as investments.

The other big consideration is inheritance tax (IHT).

If no reliefs apply, IHT is charged at 40% on the value of your estate, which could place a substantial financial burden on your beneficiaries and their ability to manage the company.

Even if you sell the company before you die, the proceeds would still be part of your estate and subject to IHT.

Family challenges

The family challenges centre on the expectations of your various beneficiaries and the relationships between them.

You may be planning to keep the business in your family, but some children want to be involved, while others do not. **How can you square the different ambitions – appropriately rewarding children who want to be part of the business, while not neglecting the others? The potential for disputes can be exacerbated by sibling rivalry or divisions with your family.**



Three ways to secure successful succession

The good news is there are a range of powerful and versatile tools to manage the challenges and secure the best outcome for you, your family and your business. Three priorities stand out:

1. Tailor the solution

Solutions can be closely tailored to the specific circumstances of your business, the dynamics within your family and what you want for the future. In a case in point, what if your daughter wants to take over the running of the business but your son has other life plans. If so, a possible option is to set up a trust that gives your daughter control of the enterprise and a higher share of the financial benefit, while your son still receives some dividend income from the company.

The right structures can also take out some of the potential headaches. For example, if you jointly own the business with other major shareholders, the company can take out insurance or set up a cross option that would allow your fellow owners to buy your share from the estate in the event of your death. The solution protects your family's financial interests while ensuring continuity and control within the company.

These are just a snapshot of the many and varied solutions on offer. The key point is that the permutations and your ability to fit them around your aspirations are virtually limitless.

2. **Align succession with tax and estate planning**

Just as the right structuring can square business and family priorities, it can also ensure a tax-efficient exit and estate planning. An increasingly popular option for owners who want to pass the business to their children while limiting their tax liabilities is a family buy-out.

A family buy-out allows you to sell a proportion or all of your business to a company set up for this purpose by your children (NewCo) in return for a loan note. For example, if you sell 50% of your company to the NewCo, half of the future growth accrues to your children. You retain the other half of the shares, so can continue to have a strong say in the running of the business as part of a phased succession.

If one or more of your children want to take an active role in your company, they can receive voting shares in the NewCo, plus a salary and dividends, while siblings who do not want to be involved can be given non-voting shares and a preferential dividend. From a tax perspective, the repayment of the loan note has the advantage of being charged at CGT rather than the higher dividend rate. The 50% in the NewCo is also now outside your estate, which would

lower your IHT liabilities. If none of your children want to take on the running of the company, a trade sale is an obvious option. In the interests of business continuity, you might also consider a traditional management buyout (MBO) or sale to an employee ownership trust (EOT). EOTs enable employees to take a stake in the business, while offering owners potential relief from CGT.

With proceeds from the sale banked, the next big consideration is how to make sure that your beneficiaries are not left with a 40% IHT bill. Possible options include a gift or lifetime trust. However, these need to be in place for at least seven years to be IHT free. They also come with a lot of restrictions and legal costs. A **generally faster, more flexible and less complicated alternative to gifts and trusts is Family Trading Companies. By investing in assets qualifying for Business Relief, your family's capital can be IHT free in two years.** Further advantages of Family Trading Companies include meeting the different financial goals of all the various members of your family. Each beneficiary can be the sole shareholder in a company specifically set up to meet their particular objectives and investment preferences.

3. **Allow enough time**

As an entrepreneur, you are more likely to be focused on the immediate challenges of running and growing your business than thinking about succession. Yet, time is your best ally in preparing for the future. In seeking to maximise the valuation of your business, you may need to allow time to turn new products and other business developments into revenues. You also need time to prepare performance data, asset valuations, revenue projections and other key numbers needed to support the sale. The more the potential buyer knows about your company, the better the price they will be prepared to offer. Crucially, early planning can also make it easier to balance the different interests and expectations within your family, while putting in place the solutions needed to reduce your tax liabilities.



Safeguarding legacies following divorce and remarriage



From voided wills and disputed legacies to children missing out on their inheritance, passing wealth from one generation to the next can be a minefield for people who are divorced, remarried or have children with different partners ('blended families'). This article looks at how to steer clear of the risks that could jeopardise legacy planning and how to meet the differing and potentially conflicting expectations within your blended family.

An estimated **one in three UK families are blended** (at least one partner has children

from a previous relationship). The number of blended families and complex dynamics within them have been swelled by the **growing rates of divorce and remarriage among people in their sixties and seventies**.

Even if relations between step siblings or children and their parent's new partner are reasonably harmonious, wealth transfer comes with a host of extra challenges. If relations are strained, it all gets even trickier. What then are the big risks to look out for?

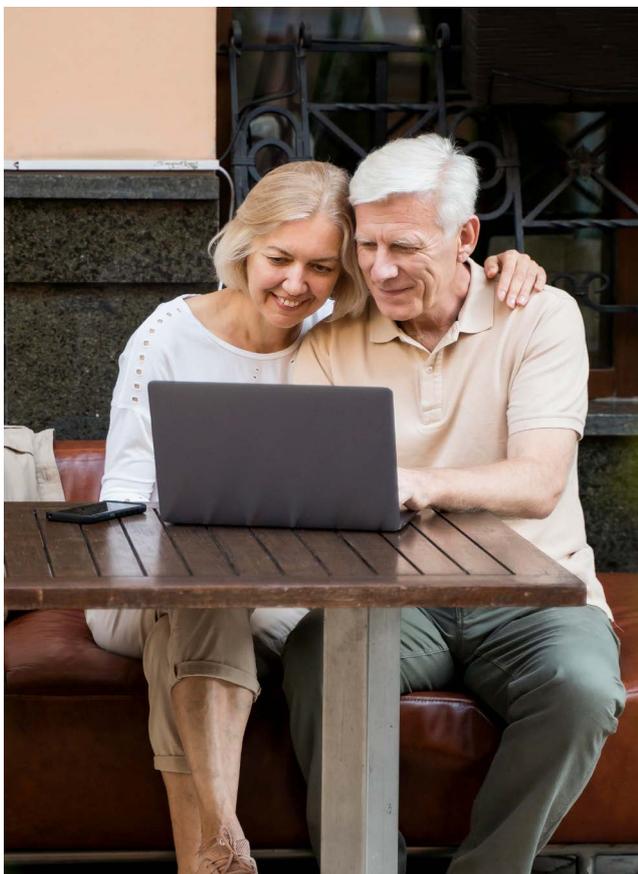
Mingled assets

Divorce settlements can be notoriously complex. The financial complications – inheritance prominent among them – can be exacerbated if parents go on to remarry. Assets can become mingled and pass to the ex-partner's new spouse and then on to his or her children. The children from the previous relationship(s) would miss out as a result.

Voided wills

If you are remarried and die without a valid will, your current husband or wife will be the main beneficiary of your property, investments and other assets. Any children from a previous relationship could be inadvertently disinherited as a result, with little chance of contesting this.

Crucially, even if you had made a will before you remarried, it will be revoked as soon as you tie the knot. Your children would therefore face the same risk of disinheritance as if you had not made a will in the first place.



Costly disputes

Specialist solicitors estimate that as many as **10,000 people in England and Wales are disputing wills every year**. The strained relations within many blended families can heighten the risk of conflict and legal challenge.

In many countries, notably Scotland, dependents can be allotted at least some of the estate even if they are left out of the will. However, there is no equivalent of these 'reserved rights' in England and Wales. Legal action can therefore be a hazardous and often costly process for claimants who believe they have been unfairly treated and those they are claiming against.

Hefty tax bills

The IHT rules favour couples over single people. Anything you leave to your husband, wife or civil partner is exempt from IHT. When he or she dies, the threshold for paying IHT is £650,000 rather than the single person £325,000 as the unused nil-rate band will have passed to them. They could also benefit from two times the main residence allowance of £175,000 if the property is passed to children or grandchildren. That all adds up to a sizeable £1 million in IHT free assets.

However, if you divorce, the threshold for paying IHT on your estate reverts to the single person £325,000. This makes it much more likely that your beneficiaries will be caught in the IHT net and left to pay a 40% tax bill on the value of assets above this threshold.

Three ways to take the stress out of blended family legacy planning

So how can you steer through these risks and complexities? Three priorities stand out:

1. Sort out your will

The most pressing priority is making a will if you have not done so already. If you are planning to remarry, you can prevent your will from being voided by including an 'in contemplation of marriage' clause, which explicitly states your intent to marry and to whom. The other option is to make a new will after the wedding has taken place, though this could leave you without a valid will for a period of time. In addition to saying who gets what, you might also want to incorporate specific instructions to help take care of particular family members and prevent potential disputes. This might be assigning a guardian for younger children. You might also ensure that your new husband or wife has the right to live in your house while they are alive, before passing it on to your children when he or she dies.

2. Settle any issues while you are still there to mediate

Like many people, you may be reluctant to talk about inheritance. Yet getting the conversation underway now would allow you to discuss your plans while you are alive, dispel any potential misunderstandings and agree on who receives what in an equitable way. Crucially, these discussions would also allow you to identify and tackle potential sources of conflict while you are still able to mediate, rather than allowing them to escalate and become a source of legal wrangling after you have gone.

3. Meet different demands, while eliminating IHT

Passing on your wealth while you are alive would help to make sure that the money goes to your beneficiaries when they need it most – covering a deposit on a flat when they are young, for example, rather than passing on the money when they are in their fifties and sixties and are already well set. The other big advantage of giving while you are living is helping to eliminate IHT. Commonly used options include gifts or trusts. However, these need to have been in place for at least seven years before you die to be IHT free. They can also require a lot of paperwork and legal costs to set up. **A faster, more flexible and more straightforward alternative is Family Trading Companies. By investing in assets qualifying for Business Relief such as forestry and property development, your family's capital can be IHT free in two years.**

From April 2026, there will be a £1 million cap on full business relief, but funds above that would still qualify for 50% IHT relief. As a bespoke solution, Family Trading Companies allows each beneficiary to be the sole shareholder in a company specifically set up to meet their particular life goals and investment preferences. In this way, you can satisfy all the different needs and expectations of your blended family, without requiring them to agree between themselves.



Get in touch

We're here to help

Investors

We recommend you speak to a Financial Adviser in the first instance, as we cannot offer investment or tax advice.

If you have any other questions please contact us on 020 3195 3500 or email us at enquiries@stellar-am.com

For further information, please visit www.stellar-am.com

Stellar Asset Management Limited
20 Chapel Street,
Liverpool,
L3 9AG

Registered in England and Wales No. 06381679. Stellar Asset Management Limited is authorised and regulated by the Financial Conduct Authority.

GWT-DC-0925