

## Evolution of bonds

Increasing awareness of intergenerational wealth transfer

A significant proportion of people (47%) plan to pass on their wealth to future generations, with over a third (38%) intending to transfer assets directly to their children, according to a new report<sup>[1]</sup>. However, many are unaware of how to do this in a tax-efficient way.

The increasing awareness of intergenerational wealth transfer emphasises significant changes to Inheritance Tax (IHT) announced in the 2024 Autumn Budget. Notable examples include the new IHT rules applying to defined contribution pensions from April 2027 and the introduction of caps on business and agricultural reliefs. These changes have prompted many individuals to reassess their estates.

The report's findings reveal that over a third (36%) of people are worried about their financial future. With tax thresholds frozen and the potential for further increases, demand for professional financial advice is increasing. People are increasingly seeking to understand the implications of IHT and ways to ensure their wealth is passed on efficiently.

### **BONDS OFFER EFFICIENT ESTATE PLANNING TOOLS**

One solution gaining popularity is the use of onshore bonds. Offering a unique blend of flexibility and tax efficiency, these investment tools enable

savings to grow while helping to minimise future IHT liabilities. When incorporated into a well-designed estate planning strategy, bonds not only reduce tax exposure but also simplify the transfer of wealth across generations.

Onshore bonds are especially beneficial because they can be transferred to family members without generating a chargeable gain. The recipient is regarded as having held the bond since the start. This enables them to make the most of full top-slicing relief and any unused 5% tax-deferred allowances in future withdrawals.

### **TRUST STRUCTURES SUPPORT TAX MITIGATION**

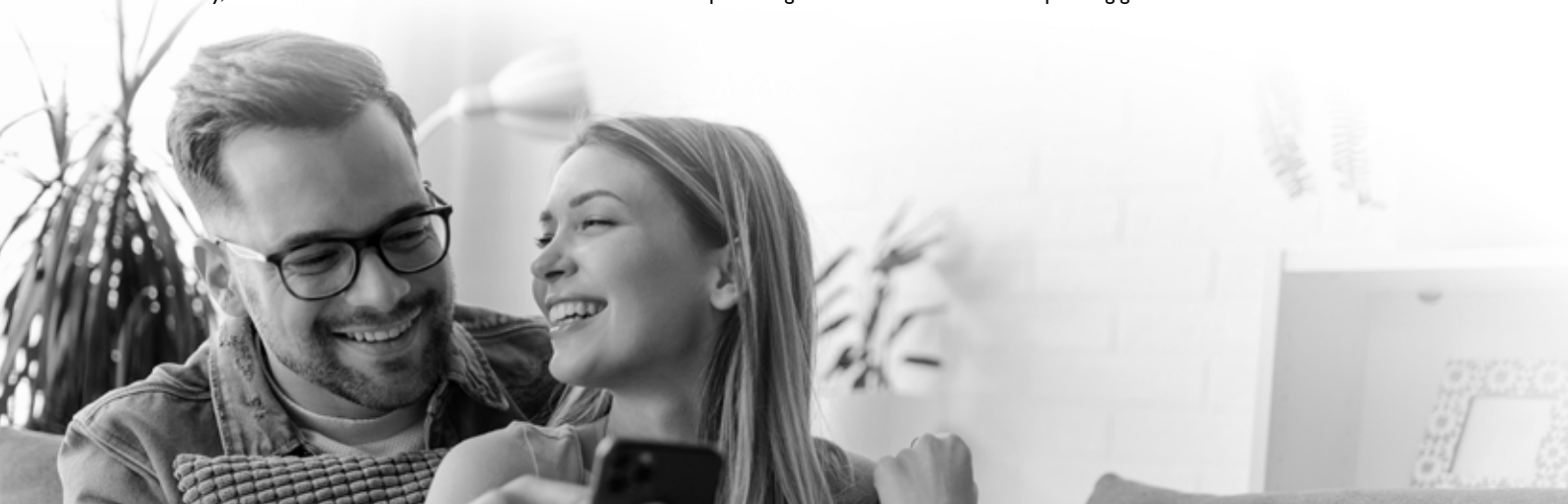
When used within a trust, onshore bonds offer an effective way to reduce IHT and simplify administration. Trustees can access a 5% tax-deferred withdrawal allowance when taking funds for expenses, while avoiding the complications linked to income-producing assets.

Furthermore, bonds structured as clustered policies enable trustees to allocate specific portions to beneficiaries later. This flexibility not only diminishes future tax exposure but also ensures beneficiaries receive financial support at the appropriate time, aligning with the original trust objectives.

### **LONG-TERM FINANCIAL PLANNING OBJECTIVES**

However, despite these advantages, research indicates that more than two-thirds (67%) of people are unaware of how bonds can assist with inheritance planning or lower tax burdens. This gap in understanding underscores the crucial role that professional financial advice plays in this area.

As awareness increases, more people are aiming to equip themselves with the tools needed to leave a lasting legacy. Bonds, with their distinctive features, provide an attractive option for those seeking to combine investment growth with long-term financial planning goals.



## EDUCATION AND PROFESSIONAL ADVICE ARE ESSENTIAL

Given the complexities surrounding estate planning and the legislative changes to IHT, it has become essential to seek professional advice. We can help individuals and families make well-informed decisions by guiding them through the intricate landscape of tax-efficient investment options.

Onshore bonds, in particular, can serve as a valuable tool for individuals seeking to achieve capital growth while reducing tax exposure. By incorporating bonds into a broader financial strategy, clients position themselves to benefit future generations while remaining compliant with changing tax laws.

## BONDS COMBINE SIMPLICITY WITH FLEXIBILITY

One of the main appeals of bonds is their straightforwardness. Unlike other financial planning tools, they provide a transparent way to manage tax and inheritance matters. This simplicity not only makes bonds accessible to investors but also practical for trustees handling long-term wealth.

Another reason is the flexibility that bonds provide. With the ability to transfer ownership, manage withdrawals and adapt to changing

circumstances, bonds can accommodate a wide range of estate planning scenarios. Ultimately, this flexibility ensures they remain a relevant and powerful tool for passing on wealth.

Take action to secure your financial legacy

Bonds remain a valuable and often overlooked resource for those seeking to grow their wealth while reducing Inheritance Tax. By combining tax efficiency with flexibility, they provide a practical solution to meet the increasing demand for intergenerational wealth transfer. ■

## WANT TO DISCUSS SECURING A TAX-EFFICIENT FUTURE FOR GENERATIONS TO COME?

If you're considering your own inheritance or tax planning, don't wait. Speak with us to find out how bonds, alongside other tools, could help you achieve your long-term financial goals. Proactive planning today can provide a more secure and tax-efficient future for future generations.

## Source data:

[1] Survey of 4,000 nationally representative UK adults conducted for LV= by Opinion in March 2025.

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE. THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED. TAX PLANNING & ESTATE PLANNING IS NOT REGULATED BY THE FINANCIAL CONDUCT AUTHORITY.

