PRIVATE CLIENT GUIDE

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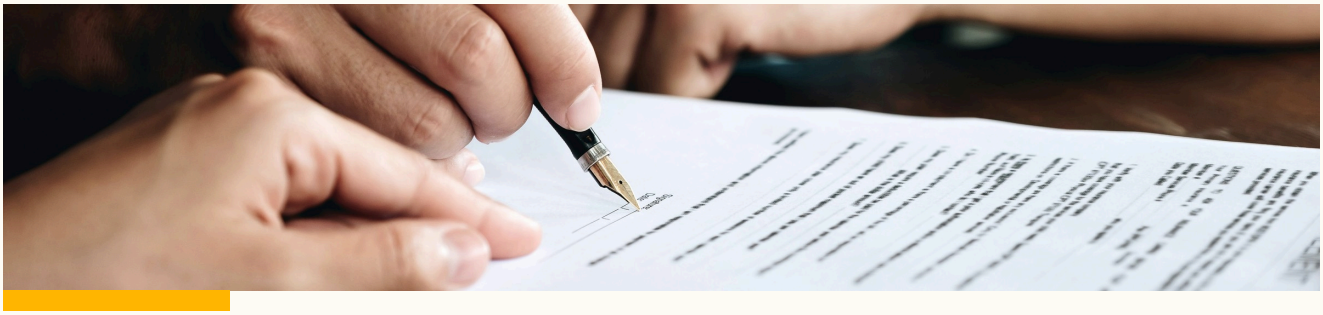
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DEEDS OF GIFT

A practical guide to gifting wealth during your lifetime

A Deed of Gift is often a straightforward and effective way of formally recording a gift of money, property or other assets. In the right circumstances, it can help provide clarity for families, support inheritance tax planning and reduce the risk of misunderstandings later on.





Many people reach a stage where they begin thinking not only about protecting their wealth, but also about passing some of it to the next generation during their lifetime.

A Deed of Gift is often a straightforward and effective way of formally recording a gift of money, property or other assets. In the right circumstances, it can help provide clarity for families, support inheritance tax planning and reduce the risk of misunderstandings later on.

This guide explains why Deeds of Gift are commonly used and when professional advice may be sensible.

What is a Deed of Gift?

A Deed of Gift is a legal document recording that one person is transferring an asset to another without receiving payment in return.

The document usually confirms:

- What is being gifted
- Who is making the gift
- Who is receiving it
- When the gift takes effect; and
- Whether any conditions apply

Depending on the circumstances, a Deed of Gift may relate to:

- Sums of money
- Investments
- Shares in a family company
- Property interests
- Personal possessions; or
- Other valuable assets

RECORD GIFTS CLEARLY AND FORMALLY

SUPPORT FAMILY PLANNING AND FUTURE CERTAINTY

CONSIDER ADVICE BEFORE TRANSFERRING ASSETS



Why formal documentation matters

Families often make gifts informally. In many cases this works perfectly well. However, difficulties can arise later if there is no clear record of what was intended.

A properly prepared Deed of Gift can help:

- Confirm that a transfer was intended as an outright gift, rather than a loan
- Reduce the risk of future disputes
- Assist executors when administering an estate
- Provide evidence for HMRC if questions arise later; and
- Support wider estate and tax planning

Clear records are particularly important where larger sums are involved, gifts are made between generations, or assets may later form part of inheritance tax discussions.

Inheritance tax planning

Lifetime gifting is often considered as part of inheritance tax planning.

Broadly speaking, some gifts may fall outside of a person's estate for inheritance tax purposes if the donor survives for seven years after making the gift. There are also annual exemptions and other reliefs that may apply in certain circumstances.

However, tax rules can be complex and outcomes depend on individual circumstances. A Deed of Gift does not itself remove a tax liability, but it can provide important evidence of when and how a gift was made.

Professional advice is particularly valuable where:

- Substantial assets are involved
- Property or business interests are being transferred
- Trusts are connected with the arrangement
- The donor wishes to continue benefiting from the asset; or
- There are concerns regarding care fees, tax or family disputes

KEEP CLEAR RECORDS OF SIGNIFICANT GIFTS

REDUCE UNCERTAINTY AND FUTURE DISPUTES

SEEK ADVICE ON TAX AND ASSET TRANSFERS



Gifts to children and family members

Parents and grandparents frequently help younger generations with:

- Property purchases
- School or university fees
- Business opportunities
- Wedding gifts; or
- Longer-term financial support

A Deed of Gift can help clarify the nature of the arrangement, particularly where large financial transfers are involved.

For example, mortgage lenders often ask for confirmation that funds provided towards a house purchase are an unconditional gift rather than a repayable loan.

Protecting all parties

A carefully drafted document can also help protect both the person making the gift and the recipient.

It can reduce uncertainty and ensure that the intention behind the arrangement is properly recorded at the time the transfer takes place.

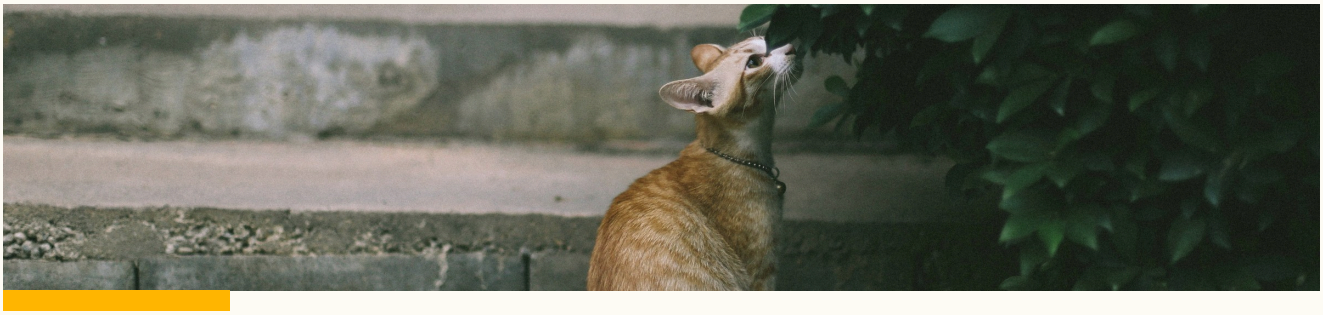
This is often especially important where:

- Family relationships are complex
- One beneficiary has received more assistance than others
- Gifts are made later in life
- Capacity issues may arise in future; or
- Executors may later need to explain significant transfers from the estate

SUPPORT FAMILY MEMBERS WITH CONFIDENCE

RECORD SIGNIFICANT GIFTS CLEARLY AND FORMALLY

PROTECT LOVED ONES FROM FUTURE UNCERTAINTY



When should advice be taken?

Although some gifts are relatively straightforward, legal and tax advice can be important where larger or more complicated assets are involved.

Advice may help identify:

- Tax consequences
- Risks associated with the transfer
- The most appropriate structure
- Whether additional documents are required
- Any practical issues affecting the donor or recipient

In some situations, alternative planning arrangements such as trusts may also need to be considered.

A final word

Making gifts during your lifetime can be rewarding and can form part of sensible long-term planning.

A properly prepared Deed of Gift helps create clarity, provides evidence of intention and may assist in avoiding unnecessary complications in the future.

Every family's circumstances are different. Taking advice before substantial gifts are made can help ensure arrangements are structured appropriately and recorded correctly.

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