SUCCESSION BY DESIGN, NOT BY DEFAULT

PLANNING THE FUTURE OF YOUR FAMILY BUSINESS & WEALTH

15th September 2026

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NEWRY CHAMBER
SINCE 1820

Presentation by:

Feargal McCormack, Senior Partner & Head of Family Business

Malachy McLernon, Tax Partner & Head of Tax

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WHAT'S ON THE AGENDA.

This seminar will be delivered in two parts, the first part will focus on family business succession at a high level and the second part will focus on tax planning and navigating the new legislative landscape in the context of the Inheritance Tax (IHT) Reform.

In term of the desired outputs, an understanding of three key themes:

1. Why Succession cannot be left until later
2. What needs to be in place for succession to work
3. How families move from avoidance to action.

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THE CONTEXT.

Inadequate continuity and succession planning is one of the main reasons why so few family businesses survive, thus the emphasis must be on succession by design and not be default.

The best way to sustain a successful and enduring enterprise is to implement an integrated plan, which will pass down assets, develop capabilities and transfer responsibilities and roles.

Business succession is not about stepping back; it is about preparing the family and the business for continuity under pressure.

The transfer of power from one generation to the next is one of the most emotionally fascinating challenges facing family businesses. The importance of getting this decision right, cannot be overstated, as the actions taken by each generation will shape the family and business for decades to come.

At a high level, in terms of succession there are four key issues to address by the current owners: whether they think it is better to sell the business, divide it up, transfer it in whole to the next generation, or bring in non-family professional management to run the business, retaining ownership in the broader family.

It is not always easy to divide up a business and for the business to remain commercially sustainable.

UNDERSTANDING BUSINESSES LIKE YOURS.

At AAB, we understand that family businesses have a range of unique challenges and strengths. Successful family businesses have a good combination of professional & personal interests in the business with a focus on a healthy family dynamic.

AAB work with family businesses to help them create the balance between family and business needs; derisking and maximising family wealth, planning for succession, implementing governance frameworks and policies & procedures with the intention of helping families ensure that the family's wealth is protected and preserved for the benefit of future generations.

During the course of this seminar, we hope you will discover the peace of mind, knowing your family's wealth is protected and preserved for the benefit of future generations.

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FAMILY BUSINESS REALITY.

IT IS OFTEN THE CASE THAT EMOTION BLURS THE VISION OF FAMILY BUSINESS LEADERS.

2ND GENERATION

ONLY 30% OF FAMILY BUSINESS' SURVIVE THE SECOND GENERATION.

3RD GENERATION

ONLY 12% OF FAMILY BUSINESS' SURVIVE THE THIRD GENERATION.

4TH GENERATION

ONLY 3% OF FAMILY BUSINESS' SURVIVE THE FOURTH GENERATION.

- There are unique dynamics of family businesses, which make them different from non-family businesses.
- Family firms face complex issues that affect not only the destiny of the business itself, but also that of the proprietor, their family and their employees.
- How does the proprietor reconcile his/her own and their family's aspirations with the commercial goals of the business, and its long term sustainability.

COMMERCIAL SUSTAINABILITY

RESEARCH EVIDENCE SHOWS THAT FAMILY-OWNED COMPANIES OUTPERFORM PUBLIC COMPANIES OVER TIME

They might be more conservative in a boom, but they do better in a downturn

FAMILY BUSINESSES ADVANTAGES.

THE OVERRIDING CHARACTERISTIC THAT DISTINGUISHES MOST FAMILY BUSINESSES, IS A UNIQUE ATMOSPHERE THAT CREATES 'A SENSE OF BELONGING' AND AN ENHANCED COMMON PURPOSE AMONG THE WHOLE WORK-FORCE.

Although intangible, this factor manifests itself in a number of very concrete and positive attributes, that can serve to give family businesses a significant competitive edge.

- Commitment
- Knowledge
- Flexibility in time, work and money
- Long range thinking
- A stable culture
- Speedy decision making
- Reliability and pride

FAMILY BUSINESSES DISADVANTAGES.

FAMILY BUSINESSES ARE PRONE TO SOME SERIOUS AND ENDEMIC DISADVANTAGES.

- In the same way that family businesses strengths are not unique to family firms, neither are their weaknesses, but family businesses are particularly vulnerable to specific failings.
- Many of the problems, hinge on the inherent conflicts, that can arise between family and business values – e.g. giving people responsibilities and jobs based on family blood, rather than suitability or ability to do the job.

Older generation resistant to change

Lack of structure – ad hoc management style

Emotional Issues

Lack of financial resources to fund succession

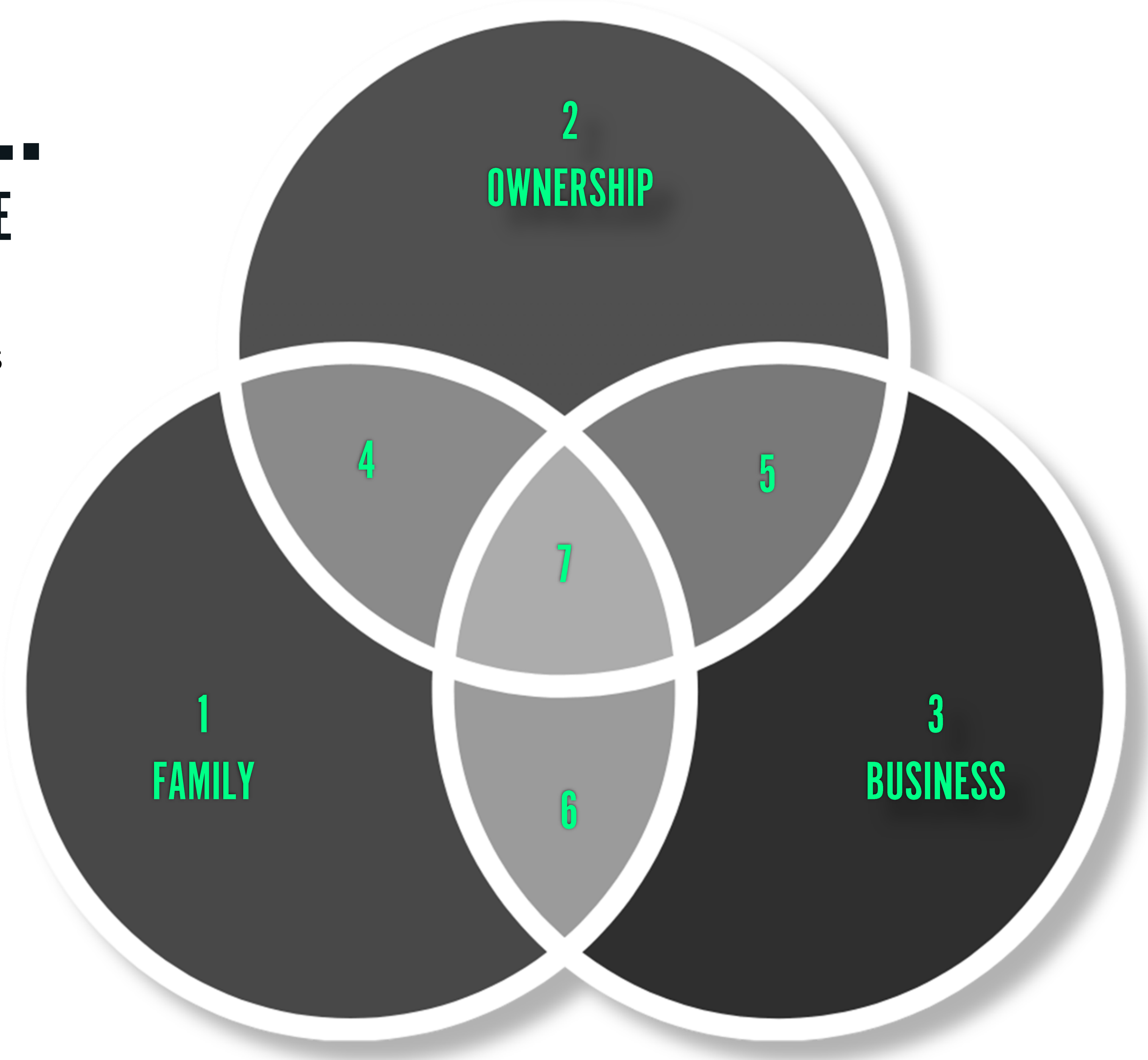
Lack of formal business strategy

Leadership and legitimacy

THE THREE CIRCLE MODEL.

IDENTIFYING THE DYNAMIC OF FAMILY BUSINESSES AND THE NEEDS OF DIFFERENT STAKEHOLDERS.

- Family members who are not actively involved in the business either as employees or owners.
- External investors, who own part of the business, but who do not work in it and are not members of the family.
- Non family management and employees.
- Family members who own shares in the business, but who are not employees.
- Owners who work in the business, but who are not family members.
- Family members who work in the business, but who do not own shares.
- Inhabiting all three circles are owners who are also family members and who work in the business.



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OUR PRESENT CIRCUMSTANCES DO NOT DETERMINE WHERE WE CAN GO.

THEY MERELY DETERMINE WHERE WE START.”

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GETTING A GRIP ON THE FAMILY BUSINESS.

If you look after the business, the business will look after the family through generations.

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IMPLEMENT GOOD BUSINESS PRACTICES

KEY FOR SUCCESSION OR SELLING YOUR BUSINESS...

- Open your mind to change and adapt an open growth and scaleability mindset with purpose - standing still in business means only one thing …. Going backwards.
- Development of organisation design, clarity and scoping out roles and responsibilities, and development of skill sets, ongoing training, people development and talent management.
- Embrace technology, digitalisation and AI as key tools to deliver business benefits and facilitate profitable growth, recognising that data is the new oil.
- A quality family business culture, which is the glue that joins everything together with an emphasis on family values, accountability and execution.
- Place emphasis on cashflow and working capital management.
- Introduce formal monthly meetings.

IMPLEMENT GOOD BUSINESS PRACTICES CONT.

- Good governance is pivotal to successful businesses.
- Ensure business has a partnership or shareholder agreement if appropriate.
- All staff (including family members) should have employment contracts and Restraint of Trade clauses to be considered.
- Ensure key staff (including family members) are rewarded on performance basis (i.e. judged on outputs, not inputs of family blood) – this avoids conflict arising with family members who have worked in business for a long time, feeling that they are not compensated fairly or that they are entitled to future ownership.
- Ensure that relevant people are familiar with the different responsibilities of being a share / business owner, director / partner, or an employee.

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IMPLEMENT GOOD BUSINESS PRACTICES CONT.

- Ensure adequate life insurance, key man insurance, income protection, pension and private medical care schemes are in place for key employees (including family members if applicable) and are reflected as costs of running the business.
- Listen to customers and staff and consider annual customer satisfaction and staff satisfaction surveys.
- Exit strategies – it is never too early for business owners to start thinking about exiting their business.
- Environmentally friendly processes.
- Corporate Social Responsibility – CSR should be embedded in a company's strategy – "I don't care how much you know, until I know how much you care" – organisational analysis/active citizenship.

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'HIDDEN COSTS' OF FAMILY BUSINESSES.

- Interpretation of Financial Statements.
- Salaries of family members.
- Adequate pension provision?
- Adequate Life Policies, Income Protection, Health Insurance?
- Plant and machinery introduced to business.
- Business premises – adequate rental change?
- Ensure all business related expenditure is claimed for!
- Non monetary impact on family relationships?

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BARRIERS AND OBSTACLES TO OVERCOME.

- Reluctance to change.
- Reluctance to involvement of 'outsiders'.
- Inter-personal relationships.
- Afraid to delegate responsibility.
- Cost of implementing change.
- Lack of funding/finance.
- Lack of financial information/poor MIS.
- Tax considerations.
- Inadequate challenge – 'Comfort Zone'

SUCCESSION IS NOT JUST A LEGAL OR TAX EVENT, BUT A LEADERSHIP, OWNERSHIP & FAMILY ISSUE

Key message:

- Delay is not neutral, it increases risk, uncertainty and the chance that decisions will be made under pressure.
- What is at stake, is broader than financial capital: trust; family cohesion; next generation readiness; reputation; and long term stewardship.
- Families often look strong externally, while becoming fragile internally.
- The cost of not planning is both commercial and relational.
- The wider capital lens, is more than money alone.
- Early planning, creates better options and better conversations.

CONTINUITY AND SUCCESSION PLANNING

FOR FAMILY BUSINESS.

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KEY CHALLENGES OF BUSINESS CONTINUITY AND SUCCESSION.

- You want to be able to control events, you don’t want events to control you.
- Plan Early for Succession.
- Succession is a process and not an event.
- Ensure Management Structure is fit for purpose.
- Improve Management Information Systems.
- Ensure there is a sound business to hand over to the next generation.
- Take advantage of outside help (succession facilitator)
- Pick the right people for the job – not just because they are family.
- Develop a business succession strategy, which incorporates family values.
- Transition should be over the long term, picking up tax efficiencies such as pension contributions and smart future Inheritance Tax Planning.
- Wealth management, particularly for senior generation.

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TRANSFER

TRANSFER OF FAMILY BUSINESS & ASSETS

Avoid emotional and family strains, by not fudging the decision i.e. don't defer the decision to the next generation.

Owner should consider their preferred future role – in say 1, 5 and 10 years – working in, or managing the business, or somewhere else?

Have the courage to take decision re family business succession now and then communicate decision in an open and transparent way to family members.

Ensure responsibilities are defined and appoint a clear leader, don't leave it to a committee.

BUSINESS SUCCESSION OPTIONS.

SUCCESSION CONFRONTS THE FOUNDER OF A FAMILY BUSINESS WITH A COMPLEX SET OF OPTIONS. EACH OPTION CARRIES ITS OWN DISTINCTIVE SET OF ADVANTAGES, OPPORTUNITIES AND THREATS. KEY FACTORS ARE:

- The nature of the business activity.
- The availability of potential family and non-family people, who are willing and able to carry on the business.
- The financial requirements of the family.
- Personal and corporate tax consequences of different options.
- Health and size of the business.
- General commercial and business environment at the time of the succession.

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BUSINESS SUCCESSION OPTIONS.

01	02	03	04	05	06
Transfer to a family member(s)	"earn in arrangement" where a junior partner / minority shareholder buys out the owner over a period of time through cash equity, allowing a transition of ownership	Appoint a professional manager	Liquidate the business	Sell, in whole or in part - Consider Management Buy Out (MBO), Employee Ownership Trust (EOT), Management Buy In (MBI) or Buy In and Management Buy Out (BIMBO)	Do nothing

HOW TO FUND SUCCESSION.

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FINANCIAL SECURITY.

KEY CONSIDERATIONS INCLUDE:

- Financial security is important to a successful retirement/planned succession for the family business owner. Many owners in fact, neglect their personal finances and wealth management.

- People who own successful enterprises, often tend to believe that the business itself represents their personal nest-egg and that it will guarantee them financial security, when the time comes for them to step down.

EFFECTIVE PLANNING.

KEY CONSIDERATIONS INCLUDE:

- Financial peace of mind is a crucial ingredient in a successful retirement / transfer of business.

- There are two schools of thought on the best way for business owners to engineer this security.

  - ✓ Ongoing Cash Withdrawal
  - ✓ Building up Balance Sheet and restructuring

COMMON MISCONCEPTIONS.

KEY CONSIDERATIONS INCLUDE:

- Oldest Child should take over as MD – not always the case and should never be assumed

- All children should have equal shareholdings in the company even if no involvement with the company – often active and passive shareholders have very different objectives and this can cause conflict

- Business cannot run successfully without the founder – with proper structures and systems in place, next generation can succeed – give them a chance!

MANAGING THE TRANSITION.

KEY CONSIDERATIONS INCLUDE:

- Aligning personal and business goals.
- The most successful Family Business Succession Transitions are those that result from establishing a partnership with the next generation, based on mutual responsibility, respect and commitment, rather than a unilateral decision by the owner to suddenly leave.
- The main elements in a family transition partnership are summarised below:

✓ Start planning early
✓ Statement of Affairs – both business and non business assets
✓ Encourage inter-generational teamwork
✓ Develop a written succession plan (e.g. Family Agreement)
✓ Involve the family and colleagues in your thinking
✓ Take advantage of outside help (Succession Facilitator)
✓ From a business and family perspective, to treat all children “fairly”, and to provide clarity and remove uncertainties to enhance the future viability of the younger generation
✓ At same time embrace future for key management in business
✓ Establish a training process
✓ Plan for retirement and decide on a retirement date and stick to it

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FAMILY AGREEMENT – KEY ISSUES

01

Family Agreement not a legal binding agreement (but may lead to legal Shareholders/Partnership Agreements prepared by Solicitor

02

Financial Independence of the senior generation

03

Consider retaining control in senior generation until post 2nd death to achieve efficient tax planning, wealth & control within the family

04

Conditions re Valuation (Good Leaver & Bad Leaver)

05

Restriction re share transfers and Share Transfer Options

06

introduce 2nd generation as small minority SH / Ptnrs

Decisions by designated majority

No discount for minority SH

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FAMILY AGREEMENT – KEY ISSUES

07

Death does not respect age – planning if children die before senior generation

08

Children with Special Needs

09

Power of Lasting Attorney

10

Wills

11

Minimise opportunities for disputes in Family Agreements etc.

12

Tax & Pension Planning

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OUTLINE FAMILY AGREEMENT CONTENT

FOR FAMILY BUSINESS AND PERSONAL ASSETS SUCCESSION PLAN.

1. Overview and Objectives
2. Background on Family & Related Family Businesses
3. Estimated Asset Valuations / Statement of Affairs of Senior Generation as at a specific date incorporating Business & Personal assets
4. Proposed Business Succession and Ultimate Distribution of Senior Generation's Business and Personal Assets to Children
5. Financial Independence and Security for Senior Generation
6. Taxation Issues
7. Proposed Action Plans
8. Timescales
9. Signed Signatures of all Family Members to confirm agreement to implementation of Family Agreement
10. Supporting Appendices

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CASE STUDY SCENARIO – FAMILY PLAN.

XYZ Fish Processors Ltd :

- Turnover £10m EBITDA £1,200k (12%). PBT £700k (7%). Net Assets £2.6m including property valued at £800k and cash of £360k.

- Owned 50/50 by husband (aged 64) and wife (aged 63).
- For Family Plan to be ultimately successful, it should incorporate personal and business assets and the financial and independence of the senior generation.

- Husband & Wife personal assets include Principal Ireland Residence value £1,200k (debt free), 2 Holiday homes – one is Scotland Value £400k (debt free); one in Spain Value £600k (€700k - debt free)
- Personal Cash £140k, ISA's and shares - £220k
- 4 Buy to Let houses in UK – F: £330k, G: £290k, H: £220k and I: £190k
- Term Life Policies £1m on first death to age 70.
- Private Pensions – Husband £620k; Wife £270k
- 5 children:

A. Son aged 30 – married with 2 children (worked in the fish processing business since leaving school at 18 and would now be Operations Manager). Living near parents and business. Parents provided £50k deposit for house.
B. Daughter aged 29 – single. Chartered Accountant working in Australia.
C. Son aged 27 – married with one child with special needs (returned home with wife having lived in USA for 3 years) – has started working in the business. Parents provided £50k deposit for house. Did a Business Degree at University.
D. Daughter aged 23 – single. Recently qualified doctor, would like to travel for a few years and work abroad.
E. Son aged 19 – Studying Law at University

HUSBAND & WIFE STATEMENT OF AFFAIRS

	£'k
XYZ Fish Processors Limited	2,600
Principal Private Residence	1,200
Holiday Home Scotland	400
Holiday Home Spain	600
4 Buy To Let Houses	1,030
Private Pensions	890
ISAs and Shares	220
Personal Cash	140
TOTAL	**6,880**

Footnote:
Adjusted Husband & Wife Statement of Affairs reduced to £5,680

- Re XYZ Fish Processors Limited – acknowledged that Son A has worked in the business for 12 years and was not adequately compensated for his work and has contributed at least £400k to the value of the business by diversifying into new sectors. Thus £400k of £2,600 should be allocated to him before distribution of parents assets, and Mum and Dad's net assets be reduced in respect of XYZ Fish Processors Ltd to £2,200k.
- Similarly, £50k house deposits paid to Son A and Son C, thus £50k for future house deposits has been set aside for children B, D and E, to ensure equal treatment.
- Son E at University £30k provision to help with his university costs (all other children received help re their education).
- £200k to be left for special needs grandchild.
- Also decided to transfer premises of business to new husband and wife SSAS at a value of £800k and then to lease premises to XYZ Fish Processors Ltd, providing future cash flow plan for parents. The net effect of this and £400k above is to reduce value of business to be transferred from £2,600 Husband and Wife to £1,400, this adjusted Statement of Affairs is now £5,680.

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PROPOSED ALLOCATION OF HUSBAND & WIFE BUSINESS & PERSONAL ASSETS POST 2ND DEATH OR EARLIER

	TOTAL £'k	H&W £'k	Son A £'k	Daughter B £'k	Son C £'k	Daughter D £'k	Son E £'k	Special Needs Grandchild £'k
XYZ Fish Processors Ltd (adjustment for value created during employment	400		400					
XYZ Fish Processors Ltd Transfer of Property to H&W	800	800						
XYZ Fish Processors Ltd 60% (£2,600k - £1,200k)	840		840					
XYZ Fish Processors Ltd 40% (£2,600k - £1,200k)	560				560			
Buy to Let Property F: £330k, G: £290k, I: £190k	810			810				
Buy to Let Property H: £220k	220				220			
Principal Private Residence £1.2m plus Holiday Home in Scotland £400k	1,600					800	800	
Spain Holiday Home €700k	600		120	120	120	120	120	
Funds to be allocated to special needs grandchild	200							200
Allocation of £50k House Deposits for children who have not been allocated house deposit yet	150			50		50	50	
Funds to help Son E conclude University	30						30	
TOTAL (before adjustments)	**6,210**	**800**	**1,360**	**980**	**900**	**970**	**1,000**	**200**
Adjustment for value created in business or monies due to balance house deposits and education	(580)		(400)	(50)		(50)	(80)	
First draw on cash on second death of parents (£220k)	220		10	40	70	50	50	
TOTAL	**5,850**	**800**	**970**	**970**	**970**	**970**	**970**	**200**

Footnotes:

- Any surplus cash post second death from estate above £220k to be distributed equally among 5 children.
- New Shareholders Agreement re XYZ Fish Processors Ltd and introduce Son A as 7% shareholder and Son C as 5% shareholder.
- Partnership Agreement arrangements to be finalised re Principal Private Residence House and two holiday homes.
- Major tax planning required, which may result in transfer of non business assets before second death of husband & wife (senior generation).
- Wealth Management to be considered.

FACTORS MOST LIKELY TO CAUSE A FAMILY BUSINESS PROBLEMS

IN BUSINESS CONTINUITY / SUCCESSION PLANNING.

1. Putting off a commitment to commence and ultimately succeed in the family business and personal asset succession process – that is always having something else to do and putting off seriously addressing succession.

2. Losing focus on running the business, while dealing with the succession process

3. Emotion blurring objectivity, especially re business and choosing the right people for the right roles and ensuring that the right ownership structure is in place.

4. Not availing of the opportunity to combine business AND personal assets in Statement of Affairs of senior generation, combined with adequate financial security planning for the senior generation.

5. Assuming that all children should have equal shareholding in the business or some family assets –the key being to ensure the next generation agree they have been treated “fairly”.

6. Avoid discussions on detail succession considerations with the next generation, until draft written Family Plan Agreement has been developed by senior generation, then call a family meeting (blood relatives only), facilitated by Succession Facilitator with the objective of hopefully getting agreement, evidenced by the signing of the Family Agreement by all family members.

WHAT DOES SUCCESSION LOOK LIKE, NOT JUST ONE YEAR IN, BUT 20 YEARS LATER?

- A family together and at ease with each other, and a thriving business, which is recognised as “best in class”, which is funding wealth, for the broader family through generations.
- It may sound as a contradiction, but I believe a business which is adapting best business practices and is “ready for sale”, but may never actually be sold, is a key example of a successful succession family business.

PASSING ON THE FAMILY BUSINESS

RECENT TAX CHANGES AND IMPLICATIONS

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WHAT IS AN ESTATE

It can include:

HOME & LAND

Family home, farms, development land and overseas property.

CASH & INVESTMENTS

Bank accounts, ISAs, quoted shares and jointly owned assets.

BUSINESS INTERESTS

Unlisted shares, partnerships and sole-trade assets.

PENSIONS & INSURANCE

From April 2027, most unused pensions join the calculation.

PERSONAL ASSETS

Cars, jewelry, art and other valuable possessions.

GIFTS LESS DEBTS

Certain lifetime gifts are added back. Genuine debts are deducted.

ESTATE PLANNING – THE TOOLS

- Exemptions
- Reliefs
- Nil Rate Bands
- Life Policy
- Gifting

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IHT.

“A VOLUNTARY TAX”

“Inheritance tax is, broadly speaking, a voluntary levy paid by those who distrust their heirs more than they dislike the Inland Revenue.”

Roy Jenkins

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THE WATERS WERE RELATIVELY CALM . .

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FEWER THAN ONE IN 20 ESTATES PAID IHT.

4.72%

Uk deaths resulting in an IHT charge in 2023/24

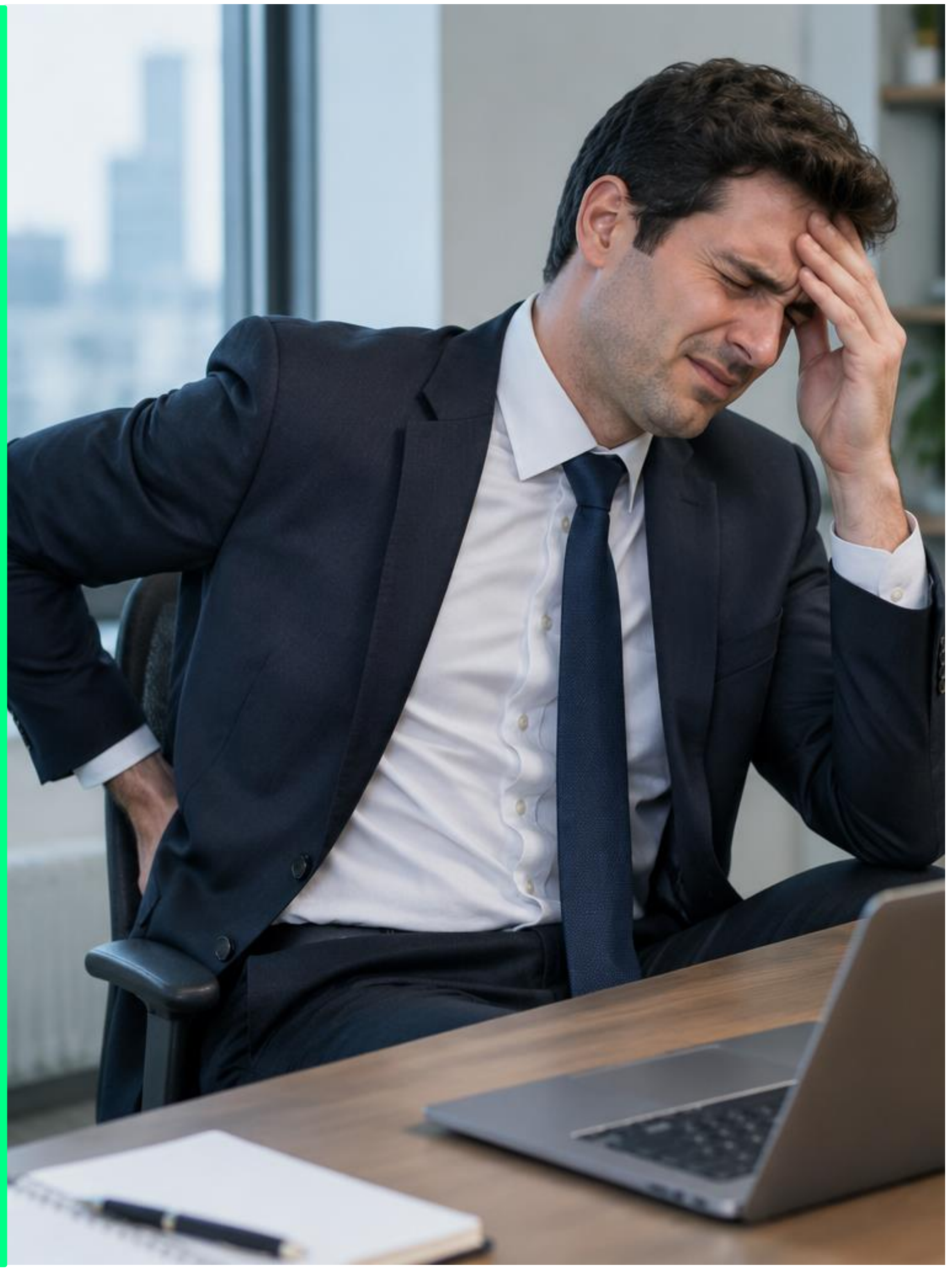
40%

Headline marginal rate on the taxable slice.

13%

Average effective rate among taxpaying estates.

WHO WILL FEEL THE PAIN THE MOST.



The potential problem

Frozen allowances + rising asset values + pension reform + reduced BPR/APR = a much wider IHT net.

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THE TWO TAX CLOCKS.

THE IHT CLOCK

An outright gift to an individual may fall outside the estate after seven years. Continued enjoyment by the donor can undermine the result.

THE CGT CLOCK

A gift is normally treated as a market-value disposal immediately, even though the donor receives no cash. Hold-over relief may defer a qualifying gain.

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THE FAMILY DISCUSSION HAS STARTED.

'One day, son, all this will belong to HMRC'

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PRE APRIL 2026 V POST APRIL 2026

	Pre April 2026	Post April 2026
Business Shares	£10,000,000	£10,000,000
Cash assets	£2,000,000	£2,000,000
Chattels	£500,000	£500,000
Gross estate	£12,500,000	£12,500,000
Business Relief (100%)	£10,000,000	£2,500,000
Business Relief (50%)	0	£3,750,000
NRB	£325,000	£325,000
IHT Due on £2,175,000 @ 40% =	£870,000	
IHT Due on £6,250,000 @ 40% =		£2,500,000

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THE NEW APR/BPR FRAMEWORK.

FIRST £2.5M

100% relief allowance across qualifying agricultural and business property.

ABOVE £2.5M

50% relief, creating an effective IHT rate of up to 20%.

COUPLES

Unused allowance can transfer, potentially giving £5m at 100% between spouses or civil partners.

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RELIEF IS VALUABLE, BUT QUALIFICATION COMES FIRST.

TRADING ACTIVITY

A business mainly holding investments can fail. Property investment activity is a common problem.

SURPLUS CASH

Document why cash is needed for working capital, acquisitions or expansion.

TWO YEARS

Check the ownership condition and the precise asset being transferred.

A GIFT CAN CREATE TAX WITHOUT SALES PROCEEDS.

GIFT

Parent gives shares to a child and receives no cash.

MARKET VALUE

CGT generally calculates the disposal using market value.

HOLD-OVER RELIEF

May defer a gain on qualifying assets, but the child inherits the latent gain.

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PENSIONS JOIN THE ESTATE FROM 6 APRIL 2027.

UP TO 5 APRIL 2027

Most discretionary pension death benefits normally sit outside the member's estate for IHT.

FROM 6 APRIL 2027

Most unused pension funds and pension death benefits are added to the estate when calculating IHT, even where trustees retain discretion.

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WHAT IS INCLUDED, AND WHAT IS LEFT OUT?

GENERALLY INCLUDED

- Unused defined contribution pots
- Most lump-sum death benefits
- Relevant guarantee-period payments
- Qualifying non-UK schemes where the member is within UK IHT scope

KEY EXCLUSIONS / EXEMPTIONS

- Genuine death-in-service benefits linked to current employment
- Qualifying dependants' scheme pensions
- Certain joint-life annuities
- Benefits passing to an IHT-exempt beneficiary, commonly a spouse or civil partner

UK PENSIONS – THE FINANCIAL REALITY

Death BEFORE age 75 (BEFORE April 2027)	Death BEFORE age 75 (AFTER April 2027)	Death AFTER age 75 (AFTER April 2027)
0% Inheritance tax on pension fund	**40%** Inheritance tax on pension fund	**40%** Inheritance tax on pension fund
0% Income tax for beneficiaries	**0%** Income tax for beneficiaries	**20% / 40% / 45%** Income tax for beneficiaries
Overall tax rate **0%**	Overall tax rate **40%**	Overall tax rate **52% / 64% / 67%**

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LOSS OF RNRB

	Current Planning	Post April 2027
Estate value	£2,000,000	£2,000,000
Pension	0	£700,000
Gross Estate	£2,000,000	£2,700,000
RNRB x 2 NRB x 2	£350,000 £650,000	£0 £650,000
IHT Due on £1m @ 40% =	**£400,000**	
IHT Due on £2,050,000 @ 40% =		**£820,000**

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HOW WLL PENSION IHT BE DEALT WITH?

EXECUTORS

Identify every scheme, request date-of-death values and include pension wealth in the IHT account.

WITHHOLDING

Where tax may be due, a notice can prevent more than 50% of a beneficiary's entitlement being paid.

DIRECT PAYMENT

The scheme can be instructed to pay attributable IHT directly to HMRC from pension funds.

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DOMICILE HAS BEEN REPLACED BY LONG-TERM RESIDENCE

BEFORE APRIL 2025

Domicile was the main connection for deciding whether overseas assets fell within UK IHT.

THE NEW TEST

Generally, long-term UK resident means UK resident for at least 10 of the previous 20 tax years.

THE EFFECT

Long-term UK residents may face UK IHT on worldwide assets. Others are normally taxed on UK-situs assets.

LEAVING THE UK DOES NOT SWITCH IHT OFF IMMEDIATELY

3 YEARS

Minimum tail after 10 to 13 years of UK residence.

UP TO 10 YEARS

Tail following 20 years of UK residence.

10 YEARS AWAY

Ten consecutive non-UK years can reset the 10-out-of-20 test.

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THE EXEMPTION WITH NO SEVEN-YEAR WAIT

REGULAR

Part of a settled pattern or evidence of an intention to make regular gifts.

FROM INCOME

Not capital. Keep annual calculations and bank evidence.

LIFESTYLE MAINTAINED

The donor retains enough income to maintain their normal standard of living.

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A 90-DAY SUCCESSION HEALTH CHECK

VALUE	Obtain realistic values for shares, land, property and pensions.
RELIEF	Test APR/BPR and document surplus cash or investment activity.
PEOPLE	Separate ownership, income, voting control and management decisions.
TAX	Model IHT, CGT, stamp taxes, Income Tax and cash funding together.
DOCUMENTS	Review wills, shareholder agreements, pension nominations and insurance trusts.
EVIDENCE	Record intentions, gifts from income and the business purpose for retained cash.

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THINGS TO REMEMBER:

1. **Tax should support the family plan, not dictate it.**

2. **APR/BPR reform can turn £0 into £1.5m in the simplified £10m example.**

3. **From April 2027, pensions must be planned as part of the estate.**

THANKS FOR YOUR TIME
ANY QUESTIONS?

We have made every effort to ensure that the information provided in this seminar is accurate, but we cannot accept responsibility for the consequences of any action you take in reliance on its contents. If following the seminar you have any matters which you would like to discuss, please contact
Feargal McCormack: feargal.mccormack@aabgroup.com
or Malachy McLernon: malachy.mclernon@aabgroup.com

IRELAND: +353 (0)1 6913 500
N. IRELAND: +44 (0)28 902 43131
SCOTLAND: +44 (0)1224 625111

AABGROUP.COM


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