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12 THINGS TO THINK ABOUT WHEN YOU INHERIT MONEY

Receiving an inheritance probably means coping with the death of a loved and cherished member of your family or friend.

The emotion associated with bereavement often makes taking decisions about both their estate, and your windfall, doubly difficult. To help, here are 12 things you should think about if you find yourself inheriting money.

1 TAKE YOUR TIME

There's no need to make quick decisions. In fact, they should be avoided.

Coping with bereavement and coming to terms with your loss is hard enough without the pressure of making potentially life-changing decisions.

Only you will know when the time is right to start thinking about your inheritance. Try and avoid anyone who puts pressure on you to make decisions sooner. Especially if they will benefit financially.

2 UNDERSTAND WHAT'S WHAT

It's important to understand how the process works.

If there is a valid will in place the executors will ensure any outstanding debts are paid and the remaining assets distributed in accordance with the will. In due course the executors will make contact with you to discuss the contents of the will.

However, if there is no will the assets of the estate will be distributed in line with the laws of intestacy.

3 IS INHERITANCE TAX PAYABLE?

Inheritance Tax (IHT) may be payable on larger estates.

Naturally, that will reduce the amount available for the beneficiaries.

The executors, perhaps after taking expert advice, will calculate whether any tax is due. If it is, they will also arrange payment.

4 CAN YOU REDUCE THE AMOUNT OF TAX PAYABLE?

If IHT is due there may still be steps which could be taken, even after death, to reduce the amount payable.

Expert advice is crucial and could result in a larger proportion of the estate being retained by the beneficiaries and less eaten up in tax.

5 CASH IS KING...AT LEAST IN THE SHORT TERM

It may take several months for you to receive your share of the estate. Nevertheless, you may still not feel ready to decide what happens to the money.

If that's the case then holding the capital in deposit accounts, with banks or building societies, is probably the most sensible thing to do.

Only use banks and building societies protected by the **Financial Services Compensation Scheme (FSCS)** and split the money so no more than £85,000 is placed in one person's name with any single institution. By following these simple steps, you will guarantee that your capital value of your inheritance won't fall while you consider your options.

A word of warning though.

Over the long term, if inflation remains above the interest rate you receive, the 'real value' of the capital will fall. For that reason, deposit accounts generally only make sense for large amounts of money in the short term.

6 THINK ABOUT YOURSELF

In our experience, there's often a temptation among people who receive an inheritance to make decisions based on what the person who left the money would have done.

There's also no doubt that most people are more cautious with an inheritance than they would be with a different type of windfall, such as a lottery win.

However, the person leaving you the money would, in all likelihood, want you to do what you deem is right and not to make decisions based on what they would have done. By all means be cautious, that's understandable, but make decisions based on what's right for you and your family, not by trying to second-guess what someone else would have done.

7 CONSIDER YOUR OBJECTIVES

Before you make decisions, start to think about your life, and if appropriate that of your family. For example, what do you want to accomplish in the short, medium and long-term?

This inheritance could be the key to achieving aspirations you never thought possible.

Only once you truly understand what it is you want from life, can you start to think about how the money could be used.

8 REPAY DEBT OR INVEST?

There's no doubt that people who have a mortgage will be tempted to reduce the amount outstanding, or repay it in full when they receive their inheritance.

That may be the right thing to do; there's certainly a feeling of wellbeing in owning your home outright. However, in these days of extremely low interest rates there might be more financially beneficial options.

Weighing up the advantages and disadvantages of each option is crucial, which is where a financial planner can provide essential and impartial advice.

9 HELPING YOUNGER GENERATIONS

It's clear that those people often now known as 'millennials' or Generation X & Y are finding life tough. High levels of student indebtedness and trouble getting on to the housing ladder are just two issues older generations were less likely to face.

You may therefore think about providing financial assistance to your children or grandchildren following your inheritance. The concept of 'living inheritances' is becoming more popular. Not only does it allow you to see the benefits of your gift while you are still alive, it can also reduce the amount of tax paid when you die.

10 AVOID INVESTMENTS YOU DON'T UNDERSTAND

In our experience most people manage an inheritance extremely carefully. Many see themselves as custodians of the money until it is passed on when they die. However, there's no doubt that a percentage of people make mistakes, perhaps by taking too much risk, investing in things they don't understand or choosing investments which are marketed as offering high returns for little or no risk.

The possibility of losing your loved one's money is usually sufficient to avoid this issue, compared to say people who have won the lottery. However, if an investment sounds too good to be true, or you simply don't understand it, avoid it.

11 FINANCIAL PLANNING

Receiving an inheritance is one of the times when financial advice is crucial.

Working with an expert, who has helped other people deal with the issues you are currently facing, possibly for the first time, is invaluable. The right planner will help you understand what you want from life, then explain how the money can be used to meet these objectives.

12 CONSIDER YOUR OWN POSITION

Receiving an inheritance will almost certainly improve your own financial position.

That means you should take the opportunity to review your own circumstances, making sure that your affairs are in order should you die prematurely.

If you haven't made a will, that's the first thing which should be ticked off the list. Next, if your estate is large enough (£325,000 if you are single, £650,000 if you are married) you might consider taking steps to reduce the amount of IHT payable when you die.

LOOKING TO THE FUTURE

Dealing with the death of a loved one is hard enough without having to make potentially life- changing decisions.

That's why we recommend taking your time and only making decisions once you feel ready to do so.

As financial planners we have helped many of our clients deal with the issues raised in receiving an inheritance. If you feel that we can help you please do get in touch by calling us on 0116 2407070 or emailing **enquiries@boolers.co.uk**