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MONEY BOX LIVE

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DUGGLEBY: Good afternoon. One of the most surprising financial statistics is the number of people who don't have a will despite efforts made by solicitors who get together each year in November to take part in Will Aid, offering to draw one up without charge in return for a donation to charity. So as Will Aid comes round again, why the reluctance to save your family from the inevitable hassle and complications if you die intestate? Most people have no idea how their belongings would be divided up under intestacy rules and couples who cohabit are in far greater risk than those who marry or enter into a civil partnership. Admittedly things are different in Scotland, as we can explain later in the programme. But it's far better for you to decide who gets what now and then update your will as family and financial circumstances change, especially if there's a divorce. You also need to be aware of inheritance tax payable above the nil rate band of £325,000, with the unused balance up to £650,000 carried forward for husbands and wives and those in a civil partnership. That limit is frozen for the next 4 years, but opportunities still remain for tax savings on annual gifts up to £3,000 and, less well-known, to regular gifts out of income which don't affect your standard of living. Setting up a trust is also a possibility, but for that you'll probably need professional advice, which is available for the next half hour on any aspect of wills, probate and tax from my guests on Money Box Live: Nicola Plant, a partner with solicitors Thomas Eggar; accountant David Kilshaw, head of the private client services at KPMG; and from Scotland, Alan Barr, a partner with Brodies and Director of Legal Practice at the University of Edinburgh. The Money Box Live number: 03700 100 444. We also have an absolute

stack of emails. I've never seen so many on any programme. Obviously a subject of great interest. First on the line, Heather in Crewe.

HEATHER: Oh hello.

DUGGLEBY: Hello Heather.

HEATHER: Hello.

DUGGLEBY: Your question?

HEATHER: I was wondering if you could tell me the difference between a nil band discretionary trust and a home protection trust. As I understand it, there's a threshold of £650,000 for inheritance tax purposes on the nil band trust. Would it be the same on a home protection trust or would it revert to £325,000?

DUGGLEBY: Right, I think we're jumping ahead a bit too fast on this one.

HEATHER: Sorry.

DUGGLEBY: First of all, are you married Heather?

HEATHER: No, no. It's my parents that I'm inquiring about.

DUGGLEBY: Okay, so your parents' estates. They're both living; they've both got estates; they've both got wills?

HEATHER: Yes.

DUGGLEBY: Okay, right. So let's just clarify first of all, Nicola, that we have a £325,000 nil rate band per person.

PLANT: That's correct. And I would imagine normally when we talk about nil rate band discretionary trusts, they're something that your parents would have put into their wills to make sure they're using the allowances on both deaths. Now the home protection trust, I must admit we all discussed this and I think that is a marketing strategy because you hear a lot of this. I would be asking the question what is the purpose of this trust? Are they being advised to put their home into a trust now, or is this something they're doing in their wills? And that's really the starting point, is what's the purpose?

DUGGLEBY: I mean normally one would not put one's main residence into trust without incredibly good reason, Alan.

BARR: Yes, it's something you want to be freely available firstly obviously when both parents are alive, then usually when only one is left. You want them to have complete control over that and it's probably more important than any tax advantages that might be gained.

DUGGLEBY: So the common rule in a will is the first to die leaves their share of the house in a trust, Nicola. But is that a discretionary trust or is it some other kind?

PLANT: It's normally a discretionary trust, so that the surviving spouse has the right to continue to occupy.

DUGGLEBY: And once the surviving spouse dies, then what?

PLANT: Then depending on the children's inheritance tax positions, we either wind it up or sometimes we keep it running because they don't want it feeding into their estate.

DUGGLEBY: But the home protection trust, again coming to you now David, sounds to me a bit like a financial product and not a will planning ...

KILSHAW: *(over)* Yeah. I think, as Nicola said, it's unclear from the title. But the other position to keep in mind, of course, is capital gains tax, which with a discretionary trust you should still be able to sell the house tax free, so you need to be very careful that not only capital gains tax but inheritance tax equally balance out.

DUGGLEBY: And also trying to give your home away during your lifetime to avoid the care fees and things is fraught with danger because they can assume that you haven't given it away at all.

HEATHER: I think that's the reason my father's been advised to take the home protection trust.

DUGGLEBY: Well, David, what's your view about that?

KILSHAW: Partly you need to look at the longer term as well because obviously the home is a very emotional thing. You need to have security. If it's in trust, you need to be comfortable that your parents will have the right to live there for the rest of their life. So I think it does need a lot of care to be truthful.

DUGGLEBY: I mean there's a general rule in financial planning that if you attempt to give away your main residence and pretend that you don't own it anymore and carry on living there, of course it's completely ineffective for inheritance tax anyway.

KILSHAW: Well worse than ineffective. You can actually end up triggering nasty income tax charges. So you need to be really careful if you're giving away the home but still living in it.

DUGGLEBY: Unless you're going to pay a market rent in order to sort of disassociate yourself from it. So proceed with great caution. Ask many questions.

BARR: And particularly if it is to protect from care fees and the like, then local authorities are perhaps increasingly aggressive to make sure that you don't try and

avoid them in that way.

DUGGLEBY: Phil in Hinckley's come up with a slight variation on this one. Again he's talking about nil rate band discretionary trusts, and he's been told that he ought to have a bypass trust 'to exclude my self-invested personal pension from inheritance tax'. Comments on that, panel.

PLANT: That is something different and that normally does make sense. Essentially what you want to do is place any life insurance or pension death benefits into trust during your lifetime, so that they don't form part of the value of your estate on death. Now provided you do that while you're fit and well, the actual transfer is at nil value, so it's very good planning.

DUGGLEBY: So Rick has emailed us from London and he's talking about something similar, David. He says, 'If I write a life insurance policy under trust, is it true that the value falls outside my estate at death?'

KILSHAW: Absolutely true, yes.

DUGGLEBY: Okay, so his beneficiary gains from that. He then goes on to say, 'What about investment bonds because I believe, or I've been told, that certain bonds could be written under trust, which would enable me to pass over my other capital?'

KILSHAW: I think bonds are slightly different because what's key with the insurance policy, as Nicola said, is when you put it into the trust, it has no value, no real value. Whereas bonds obviously, hopefully are going up in value all the time. So I think they are different.

DUGGLEBY: So the life insurance policy is merely the premiums that you will pay over time?

KILSHAW: Exactly and its value only comes in just before your death in real terms.

PLANT: There are some ...

BARR: (*simultaneously*) With investment bonds, what you might find is that you get any growth of value out of your estate. In other words, you pass something over now at its current value. If things do well, then you could have quite a large increase taken out of your estate.

DUGGLEBY: I think the adviser here ... I mean he's mentioned the word capital gains tax. You know the adviser probably said, "Ooh look, you could avoid capital gains." That's because any sum you put into the bond is valued at the time it's put in. The growth in it is obviously not subject to capital gains tax. And anyway, as we ought to remind people, capital gains tax, David, not applicable at death.

KILSHAW: No, on death you get a tax free ride for capital gains tax purposes. The bond allows you to make investments grow tax free. And, as I say, you do need to look at the value when it goes into the trust.

DUGGLEBY: Okay. Patricia in Fife in Scotland, your call now.

PATRICIA: Hello.

DUGGLEBY: Hello.

PATRICIA: Hello. I'm calling to ask about transfer of inheritance tax allowance. The situation is I've an elderly mother who inherited my father's sole estate in 1962
...

DUGGLEBY: Right.

PATRICIA: ... and that estate was subject to estate duty, which was paid at the time. I have now been advised that she won't be eligible for any transfer allowance because the rules were different.

DUGGLEBY: They certainly were. I mean going back that far, of course Alan - as I recall it, wives actually had to pay inheritance or estate duty on their husbands estates.

PATRICIA: Yes.

BARR: That's right, there was no spouse exemption at that time. And so therefore it's a pretty safe bet, there are exceptions, but that if any estate duty was paid in the estate duty regime - which is before 1975 - then it is very unlikely that there will be a transferable nil rate band under the current inheritance tax rules. The estate duty rules were entirely different.

DUGGLEBY: But in principle, Nicola, the balance of the nil rate band that is unused can be passed over?

PLANT: That's correct, yes - that proportion that wasn't used on the first death, and you get the uplift. So if by the time of the second death the nil rate band is 650, you get the benefit of that, so you'll get twice that.

DUGGLEBY: So to take just a simple example. If somebody passes over say £200,000, that leaves 125 to be passed on, which is then multiplied by the difference between today's and a future ...

PLANT: Yes, exactly.

DUGGLEBY: Oh dear, oh dear, what a complication.

PLANT: On Patricia's issue, there is a little known thing called the 'golden spouse exemption'. In some circumstances where assets were put into trust pre-1962 and the estate duty paid, sometimes the surviving spouse can benefit from getting that tax free. So that's something you might want to seek advice on. This is a Scottish estate, so it's slightly different.

DUGGLEBY: Alright. George in the Orkneys, another Scottish question from you.

GEORGE: A simple one. That if one has a house in Scotland (and in this case twenty odd acres of land) and also a house in England, how does one write a will because approaching Scottish lawyers told oh no, it can only write the Scottish part; and approaching people in England being told oh no, it cannot include the Scottish part.

DUGGLEBY: Alright, well I'm going to stop you there. Alan, as you may know, is the Director of Legal Practice at the University [of Edinburgh]. If he doesn't know the answer, nobody does.

BARR: Well I think they're being far too un-ambitious in that. Generally with assets in Scotland and England, there is no problem with one will covering all of them, certainly covering two houses. There are different succession laws that apply ...

GEORGE: Yes, yes.

BARR: ... but in terms of writing one will to cover everything in Scotland and England, that's absolutely commonly done. It may be different if there were some unusual assets in England or perhaps some trust assets in England, but certainly a Scottish will would readily cover an English house and vice versa without any real difficulty.

DUGGLEBY: My ears did prick up just for a moment there, Alan, and that was ... Sorry, David I should say. Twenty acres of land - because land, just to remind people, is rather a good asset to hold, isn't it?

KILSHAW: Yeah, depending on the nature of the land, you can be exempt from inheritance tax. Agricultural relief, business property relief. So certainly if you've got land of that order, you ought to very carefully structuring your will.

GEORGE: Yes.

DUGGLEBY: Okay. And again, I imagine the law between England and Scotland is exactly the same, is it there Alan, on land?

BARR: For inheritance tax purposes, yes - yes very much so.

DUGGLEBY: And things like forestry also come into it - Scotland being quite well known for having large amounts of land which have got forest on them.

BARR: Forestry is generally very well treated for inheritance tax. It applies in Scotland, England. Of course there's lots of forests in Wales as well that benefit from these reliefs.

DUGGLEBY: Still to do with Scotland, we've got John in Perthshire. Now he says, 'I consider myself English, but I've been living with my wife in Scotland for the last 10 years. We have a joint will through our English solicitors and we consider ourselves to be domiciled in England, but in fact we are living in Scotland where all our property assets are and our children are.' I'm not quite sure what his question is, but I think he's again got this sort of idea that somehow the English will puts them at a disadvantage.

BARR: I don't think it does at all. I think if he's been living in Scotland for that long, and remembering that his children are at least partially Scottish for some purposes, he may want to consider making a new one. I also have a slight worry about what you said about joint wills. In other words, if this is in a single document, that could lead to trouble frankly on either side of the border and you're much better with two wills which can essentially say the same thing, so-called mirror wills, but you're better not to have them in a single document generally.

PLANT: I agree. And mutual wills is a phrase that makes the hairs stand up on the back of most solicitors' necks.

DUGGLEBY: So maybe you can answer this question then, Nicola, from Ken in

Brackley. And he says, 'Is there a standard form of words for a mirror will, so that my partner - we are both 26 - and I can nominate each other as beneficiaries in exactly the same way as if we were married?'

PLANT: Yes. I mean certainly with a mirror will, you're literally mirroring the provisions. So where you might say you know your partner's name in one, it would be your name in the other. A mutual will is something entirely different. In the case you've just outlined, they should certainly have wills because if they're not married obviously they want to make sure that they make provision for their respective beneficiaries.

DUGGLEBY: Yeah, what worries me about that, of course, is that it's all very well you know now, they're passing their assets to each other; but one is conscious that other families or you know respective families may have different views about this. Things can change quite quickly.

PLANT: That's where trusts can be quite useful because they could give each other the right to continue living in the property and then leave it to their respective families after the second death.

DUGGLEBY: Yes because otherwise the second death could mean that the property or any other assets pop off to some thoroughly undesirable brother or sister.

PLANT: It's very important for them to have a will.

KILSHAW: I think the other thing is in that case obviously the spouse exemption. Normally if you leave stuff to your surviving spouse, it's tax free for inheritance tax. In this case, it sounds as though that won't apply.

DUGGLEBY: No. In fact probably what you're likely to leave is a fairly large mortgage which the other party needs to be cognisant of because they may not necessarily even want to live in the property that may be left to them because they

can't afford it.

KILSHAW: Yeah, you need life insurance obviously.

DUGGLEBY: So proceed with caution. Right now ...

BARR: But definitely make a will.

DUGGLEBY: Definitely make a will. Brian in London?

BRIAN: Good afternoon.

DUGGLEBY: Good afternoon.

BRIAN: Right, I'm age 72. I want to leave a couple of thousand to each of my two young grandchildren for investment by their parents. I intend to write my own new will. Now I've got four quick queries. Do you want them all in one go?

DUGGLEBY: Well can you give us one just to give a flavour?

BRIAN: Okay then. Can I put the bequest in my will without having to set up a trust for the grandchildren? I just want the parents to get the money, invest it for the children.

DUGGLEBY: Well effectively you are setting up a bear trust, I think. You may not understand it that way, but I think, Nicola, that's what happens.

PLANT: If the children are under 18 ...

BRIAN: Yes.

PLANT: ... then they cannot inherit by law because they can't give a valid receipt.

BRIAN: Yuh.

PLANT: Now if you put certain provisions in the will, you can actually make it so that the parents can give a valid receipt, but you would need to go and see a solicitor probably to do that.

BRIAN: Right.

PLANT: But otherwise it means that the parents will have to hold it - in very simple terms, just in a bank account.

BRIAN: That's what I want.

PLANT: Yeah. So they have to hold it for them until they're 18 and that's called a bear trust.

BRIAN: Right, you've answered one of the questions which I was going to ask - at what age the children would become entitled to the money. So that's 18.

DUGGLEBY: 18.

BRIAN: Right.

BARR: I want to just pitch in there. It's 16 in Scotland. It's a very important difference which even Scottish people sometimes don't believe.

DUGGLEBY: Okay one more question then, Brian, because we've got so many calls and emails.

BRIAN: Okay then. And should the bequest be worded in any special way or in the

same way as the bequest for other beneficiaries?

KILSHAW: I think the key thing is just to work out whether the gift is going to be tax free. And if you want them to get the money without paying any inheritance tax that might be due, you need to put that specifically on the face of the will.

DUGGLEBY: And although the bequest you're proposing is fairly small - supposing the bequest rather than £2,000 was say £20,000, then of course the income from that because it comes from a bequest is not taxable because it will be within the personal allowance of the person concerned which is far different of course if a parent, for example, is trying to give money while they're still living. But you know setting up money for grandchildren is a very popular thing, Nicola, mainly because of course it helps to finance their future education.

PLANT: *(over)* It's sensible. That's right, you're skipping a generation.

DUGGLEBY: Generation skipping, yeah. Martin in Coventry, your call now.

MARTIN: Oh hi. My godfather's just died, unfortunately. He was 84. I cannot find a will and I've written to local solicitors and they're not holding one. Nor is the bank. The position that I'm trying to clarify is that he's got no relatives. He was adopted but not formally and, therefore, the only sort of bloodline I can find would be going back to his birth mother. And I'm trying to clarify. I saw on the internet that you can apply to the court under section something or other to actually if you fulfilled the role of a relative that you might be able to make a claim on the will. I'm not personally interested in the amount, but I would like to see it distributed in accordance with the indications verbally that he gave to me and other people.

DUGGLEBY: Tracing ancestors is very interesting. I love doing it. It's a fascinating exercise. You'll probably find you know you can find quite a lot out about him if you go on the internet and look at one of these family history websites and try and find out you know who his father was and who his grandparents were.

MARTIN: Well on his birth certificate, it's even more interesting. The father isn't mentioned on the birth certificate.

DUGGLEBY: That means he's illegitimate.

MARTIN: Yeah.

DUGGLEBY: So it's the mother's side.

PLANT: I think the sections that you're referring to about making a claim, normally that would be where you're either a direct family member or you have some kind of dependency. There's no provision simply just to make a claim because there are no relatives. That would normally go to the official solicitor, the attorney general to look at, if there are no relatives ...

DUGGLEBY: (*over*) I mean it follows the intestacy rules ...

PLANT: Exactly.

DUGGLEBY: ... which means that you have to go through, Alan, a whole string of people. It sounds in this case as though we end up with nobody.

BARR: Well if you've got birth mother revealed ...

MARTIN: The birth mother, yes.

BARR: ... and wasn't formally adopted, then it moves into if you can trace her string of relations firstly across the way and then back down the way to find the right person who is in fact his closest living relative.

DUGGLEBY: That's brothers and sisters of the mother, isn't it?

MARTIN: Right. But I suppose the question I have to ask is why would I do that? You know I was his godson. I've frozen his bank account and presumably if I can't get it distributed how I thought it should be, there's not much benefit in me doing all this work, is there?

DUGGLEBY: No, not from a financial standpoint.

BARR: None at all.

MARTIN: No.

DUGGLEBY: It's only just pure curiosity to see if he had brothers and sisters of course who would be your godfather's uncles and aunts, and they in turn might have children who then become cousins and there is a possibility that you know you might feel good about it.

MARTIN: But how do these will chasers work then when they actually ...

DUGGLEBY: (*over*) Exactly the way I'm describing to you. You track people's family trees. And it's extremely interesting and fascinating and sometimes you get real rewards, but you don't get money for it.

PLANT: Basically they trawl the registries for lists of people who've died.

DUGGLEBY: Right, moving on now to some emails. This is on changing of executors. From Kay in Halifax, 'Can you advise me how to change executors in my current will or do we need to make a new will?' Nicola?

PLANT: You need to do a codicil.

DUGGLEBY: Yeah, right. Then there's another one here about executors. 'Our will was drawn up in 1996 when our children were quite young. Now they're in their

twenties and we're thinking of making them our executors. We have a house which we want them to inherit under trust once my wife or I have died.' Again do you think we should make a new one at this stage? In that case, I'd have thought the answer would be yes because it's 15 years ago.

PLANT: Yes, it's certainly time to review it. It does depend on the children because they're in their twenties. They're certainly old enough. If you think they're sensible enough, if their partners you know aren't going to intervene, then this is the time to review it.

DUGGLEBY: And Alan, perhaps David as well. I wrote my will 15 years ago. Various bequests were made in cash, but I'd now rather revise this to a percentage of the estate. Good idea? What should I do?

BARR: It's a very sensible idea. I mean you can take a chunk of your estate and then divide it into percentage shares, and that can work very well and you're kind of automatically dealing with inflation in that way. So it's something that certainly can be done. It can be quite complicated, particularly if it's going to individuals who may not be there at the time of your death, but it's certainly very well worth doing.

DUGGLEBY: You also need to define the assets which are going to form the basis of this bequest ...

BARR: Exactly, yes.

DUGGLEBY: ... because if you say I give 5% of my estate to charity or whatever it is, you've got to say 5% of what.

KILSHAW: Yeah, you need to draft it very carefully. And I think the other point is you should look at your will at least every 5 years. So it sounds as if that one probably needs to go in for a quick service.

DUGGLEBY: Okay, we've got Howard now in London.

HOWARD: Yes, hello. My wife and I own houses in the UK and France. We have a UK will, but we wonder if we should also draw up a French will. And, if so, do we need the solicitors to ensure that the two are consistent with each other?

DUGGLEBY: Right, well I'm going to try and take a quick run of questions on two country estate planning. But Nicola, first France?

PLANT: This is a very interesting one because I can actually answer it in my capacity as a notary public as well. If you are resident in the UK and you were married in the UK, it's possible to declare that you have a UK matrimonial regime. You would need to go and see a notary to do that. And in that case, you actually don't need two separate wills and France will respect ... It's a very recent development, but they will actually respect your UK will as dealing with both. The solicitor would need to check how you actually hold the French property, so you should go to somebody who is used to dealing with cross-jurisdictional issues.

HOWARD: Right and that's a notary in the UK? We don't need to see a notaire in France?

PLANT: No, that's right.

DUGGLEBY: Okay. Right from France to Australia. This couple from Hereford say most of their savings are held in an Australian bank. 'Should we have a separate will in Australia to deal with this?' Dead silence. I mean I can't imagine why they want to hold all their assets in Australia, but there may be good reasons for it.

KILSHAW: I think from the UK perspective, it can be given by the UK will. And the inheritance tax position, assuming that the couple are living in the UK ...

DUGGLEBY: Well they must be paying income tax in the UK, so ...

KILSHAW: I would assume, unless they're not domiciled. And they will pay UK inheritance tax in the normal way. Whether that will get title in Australia. It might just make it easier to get the money if you did have an Australian will.

PLANT: I agree. (*Barr speaks simultaneously*) Oh sorry, Alan. The main reason for having two different wills is the speed of administration. Because you haven't got to get one probate in the UK and then reapply for it in Australia, you can speed up the process. But then there are dangers of having two wills that you might inadvertently provoke one.

DUGGLEBY: And one for you, Alan. This is American. American husband, British wife. Assets in both countries, but the majority in the US. No particular intention of going to settle in the US. Again to add complications still further, both the British wife and the American husband have got surviving mothers in the respective countries. Ah, difficult I think.

BARR: I think there's a whole programme there, Vincent, in that case study. There's a lot there. I mean one of the things is that US law, there's not really any such thing. A lot of it might be covered by the state law that the US husband is most closely connected with. There are also, depending on the size of their assets, there's quite serious inheritance tax issues even on the first death there because it could be that if it passes from the British wife to the US husband, that there's a very limited spouse exemption and that is something that they certainly want to think about if the wife is based here.

PLANT: Yes, that's the big concern that people should be aware of. Where one of you is UK domiciled and the other is non-domiciled, there is a limited spouse exemption of £55,000, so you can have inheritance tax on the first death without planning.

DUGGLEBY: I would say that is definitely a question where you've got to go to some real specialists to sort that out. I mean it's not going to be cheap.

BARR: Absolutely.

PLANT: But it's worth it.

DUGGLEBY: Indeed. Grant in Wimbledon, your call.

GRANT: Hi there. I'm just trying to find out. My wife with her two sisters owns a house and what we've been doing in the past is just splitting ... we rent it out and we've been splitting the rental income and then paying individual tax on that. We're just looking at trying to plan now for the future in terms of our children. We've got nine children between us and we're thinking about how we can deal with the income to try and save possibly for university fees and also obviously the capital value of the house in the future.

DUGGLEBY: Right, okay, some ideas?

KILSHAW: Well I think the obvious thing is to see whether you can move it down to the children; but you do need to be aware that if you do transfer the house and it's selling at a gain, that could trigger a capital gains tax bill today. Assigning the income itself without assigning an interest in the house would be quite difficult.

PLANT: What you could do with it being valued at £400,000 - if it's owned by the three of them, they could still transfer it into a discretionary trust and they can hold over the capital gain.

GRANT: Okay. And the capital gain would only ... I recall some time ago if you gave something to your children and you survived for a further 7 years, then there was no inheritance tax. Is that correct?

PLANT: That's correct, yes.

GRANT: And the capital gains tax would just be the difference in the value of the

house when you purchased it and its value when you actually transferred it?

KILSHAW: The market value of the date of gift, yeah.

BARR: There's actually some quite good ... With as many as nine children going to benefit from it in the end, that's one of the areas where a trust might be a very good thing to have ...

PLANT: Yes.

BARR: ... in that you can then deal with distributing it differently or equally depending on their ages and that kind of thing.

PLANT: And you can even have sub-funds under the trust as well, so you can take account of the different sisters and their children.

DUGGLEBY: I want to take an email now quickly, if I can, from Lucia in Sutton because it concerns an estate where the father's died and the mother has Alzheimer's and there is no power of attorney in force. The executors, who are the children, are very worried about this, Nicola, because they don't actually know what to do and what their powers are.

PLANT: Right. They can administer the estate. They can get on and get the grant of probate and start collecting the assets. But whilst they're doing that, they will need to apply to the Court of Protection for a deputyship, so one of them to be appointed as deputy so that they can deal with the money for the mother.

DUGGLEBY: Is that the same in Scotland, Alan?

BARR: It's a similar procedure, it's called guardianship. But exactly the same advice: they should start administering the estate. In the end, what is to go to mother will need to be administered on her behalf.

DUGGLEBY: And they can apply immediately though to the Court of Protection or whatever it is to get the future power?

BARR: They can. Particularly I mean this in itself would be a good reason in that mother is about to come into significant assets, so they want to get that set up.

DUGGLEBY: Indeed, but she's got no power to administer them herself.

BARR: No.

PLANT: No and they mustn't delay because the process certainly in England is very slow and there's a lot of backlog. So the sooner they get on with it, the better.

BARR: And that applies in Scotland as well.

DUGGLEBY: One final quick question, Alan. Maybe you can answer this. This is Janet in Milton Keynes. She says, 'Can I reduce my inheritance tax bill by paying off the student loans of my children?'

KILSHAW: Yeah, I think that's really ...

BARR: (*simultaneously*) Well that's ...

KILSHAW: Sorry. ... a really good idea and you can do it out of your income every year. And even if you make any amount of gift, that would be tax free as long as it's within your income.

DUGGLEBY: And of course in future when fees go up to something like £27,000 over the period - as long as you pay them in advance, I think you can avoid inheritance tax and avoid those nasty surcharges on the interest which you have to pay once you have graduated if you've taken a loan. A quick final comment from you ...

BARR: *(over)* A very good family use of money.

DUGGLEBY: Indeed.

BARR: I'd just say that's a very good family use of money. It's meeting needs, but it's also reducing the inheritance tax bill in the long run.

PLANT: And investing in the future.

DUGGLEBY: Thanks very much indeed. We've run out of time. David Kilshaw from KPMG, Nicola Plant from Thomas Eggar, Alan Barr from Brodies in Edinburgh, thank you very much. Paul Lewis will be here with Money Box at noon on Saturday. and for the next few weeks he'll also be taking your calls on Money Box Live.