

# New GP Alzheimer

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## incentive bad news for inheritance tax planning?

Worried that only half of the estimated 850,000 people living with dementia in the UK have been diagnosed, the NHS plans to pay doctors £55 for every new patient they identify as having dementia. However, while an early diagnosis will help, it could cause issues for those who have not yet considered their Inheritance Tax planning strategies.

Mental capacity is needed to make effective gifts and create valid trusts and wills – the cornerstone of estate planning - and once dementia has been diagnosed, capacity to make gifts will, at best, be in doubt. Although dementia will often be of gradual onset, a diagnosis could leave wills and gifts made open to challenge. This could create real problems where relationships within a family are strained or hostile.

While the existence of a valid (and pre-registered) lasting power of attorney (LPA) will go some way towards reducing the difficulties faced by the family, even this will not provide any assistance when it comes to inheritance tax planning. An attorney's power to make gifts on behalf of the donor is strictly limited to those made on birthdays, Christmas etc and even then, the gifts made must, be 'reasonable' in relation to both the size of the donor's estate and the size of the gift itself. This leaves little scope for estate planning.

It is estimated that by 2021, the number of people with dementia in the UK will have increased to around 1 million. This latest initiative to encourage early diagnosis of the disease reinforces the importance of planning ahead.

However, while it may be tempting to implement inheritance tax planning strategies in advance, caution should be exercised. It may be ill-advised to make substantial gifts without taking advice on how best to structure your planning. Working with an adviser to create a "what if" cash flow model of before and after making gifts can paint a clear picture of how best to take action. Contact us if you would like more information.

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