

# Policy, Compliance and Gifts in Wills

What changes are on the horizon and  
what might it mean for legacy fundraisers?

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**Today, I will cover**

**IHT**

**Finance Bill**

**Fundraising  
Code**

**Before we start, a quick question!**

As fundraisers, what word or phrase  
springs to mind when you hear the  
words '**Inheritance Tax**'?

# Inheritance Tax (IHT): Current situation.

## What do we know?

- IHT currently affects a small proportion of estates but is disproportionately important, value wise.
- IHT is the main reason why professional advisors raise topic of gifts in wills
- In 2024, c80% of solicitors 'always or sometimes' prompt for gifts in wills – up from 58% 2012.

## Key numbers:

- Only 4.4% estates attracted IHT in 21/22 (HMRC)
- c50% of total legacy income (£2.1bn) comes from estates that make use of IHT reliefs and >£900m came from estates using '10% incentive' (HMRC 21/22)
- Professional advisors who mention legacies write nearly twice as many charitable wills



# Inheritance Tax (IHT): What's changing?

- From 2027, unused pension funds and death benefits to be included in estate values for IHT calculations.
- Personal representatives (executors) to be responsible for identifying and securing pension assets.



## Revisiting the question!

As fundraisers, what word or phrase springs to mind when you hear the words **'Inheritance Tax'**

# Inheritance Tax (IHT): Opportunities?

- More estates will incur IHT
- If retained, charitable tax incentives even more relevant and impactful
- Wealth advisors may become increasingly important and potentially, even more open to prompting
- Growing audience likely to seek or be given advice: Legacy giving increasingly normalised?

- Proportion of estates attracting IHT projected to almost double by 2030 (to 9.5%) – OBR 2024
- 92% of Professional Advisers think estate and tax planning will become even more important:
- 60% say they are already receiving more requests for advice; 62% of PAs think more people will consider leaving a gift to charity...



# What might this mean? Risks:

- The public may 'feel' like they've less to give away to charities. Return to perception legacies only for the wealthy
- Increased focus on IHT may be a barrier to some legacy conversations – reinforcing (mis)perception of legacies being 'technical' or 'difficult' subject.
- Fundraisers forget IHT is not a motivation; most gifts (by volume) will still come from estates that don't incur IHT...
- Abolition of 'deeply unpopular' tax may become appealing to opposition parties. OR fiscal pressures may lead to tightening or removal of charitable incentives.
- Extra complexity for executors. More mistakes and/or slower gift distributions



# Meet Margaret and Anthony?

- **Margaret and Anthony, married 35 years**
- **Live in 3-bedroom detached house in Droitwich Spa**
- **Their two grown-up children and their 5 grandchildren are main beneficiaries of their will**
- **Mirror wills, drafted in 2020 also include pecuniary gifts to 3 charities (Ramblers, Oxfam and Local Hospice).**



# What might this mean for Margaret and Anthony?

- Their estate may now attract IHT
- They may receive (even) more adverts targeting them for financial advice, wills writing (inc. from charities)
- Confusion, worry and decision to redraft their will...
- More stress for the surviving partner or their children when executing their wills?



# What might this mean for fundraisers?

- Need for relevant information on website, updated legacy guides, more signposting.
- Stewardship may become even more important
- Enhanced audience segmentation?
- More collaborations with philanthropy teams?

## Considerations?

- Education the key, but who educates and what does this do for supporter experience?
- More sector collaborations?



# What might this mean for charities?

- More legacies: Additional Legacy Management resources required?
- Probate delays and impact on legacy income flows from financial year 2027/28?
- Even more integrated fundraising activity and audience centric approaches?
- Collective education, sector partnerships and/or lobbying?



# Draft Finance Bill

## What's in the bill?

- **Implementation of IHT changes.**
  - This includes responsibility for reporting and paying IHT being given to Personal Representatives (Executors/administrators - which could be a charity).
- **Legacy gifts to be included within the definition of 'Attributable income'.**



# What might this mean?

## The role played by Executors

- Increased complexity for Executors: probate and income delays, more stress for grieving families?
- **Confusion!**
  - Inadvertent loss of 10% incentive OR inadvertently bigger gifts for wills written before changes come into effect
  - Inconsistent testamentary freedom. Clarity and harmonisation needed regarding treatment of a lump-sum benefit

## Attributable income

- If they can't be used immediately, or in a way that is perceived as 'core activity', a legacy gift income could result in a tax bill.



# What's happening?

- Remember A Charity, ILM, ATT, CIOF, CIOT, CAF, STEP and others responding to government consultation on Draft Finance Bill.
- Ongoing lobbying and influencing to protect and grow fiscal incentives around IHT.
- Widening and deepening partnerships with legal and wealth advisor sectors



# Fundraising code of conduct

- Trend: *'Rule based'* to *'Principle based'* approach
- This means more responsibility & trust in judgement, but Trustees must also play a greater role (we need to ensure they are suitably briefed)

## **Legacies:**

- Need clear procedures in place to deal with situation where a potential testator offers a personal legacy to a fundraiser
- **Will writing:** Need for clarity and transparency, regarding the level of legal advice provided through any partnership
- Revisions to code regarding face-to-face events and interactions



**Any Questions?**

