

The Corps of Royal Engineers Legacy Giving Guide

Introduction

Thank you for taking the time to read this guide which explains how you can leave a legacy to the Royal Engineers in your Will, including the wording you would need to use and importantly the tax advantages of doing so.

The Trustees of the Royal Engineers Central Charitable Trust (RECCT) hope you are inspired by the thought that you can help shape the future of the Royal Engineers and make a difference to Sappers past, present, and of the future. We know that your first priority when making a Will is to provide for your loved ones, but many people find that even after they have done this they can leave something to a cause they hold dear.

Everything the RECCT does is funded through: the Army's Days Pay Scheme, income generated from investments, and donations or legacies. But, because we want to do more in terms of supporting and helping our people by delivering benevolence, enhancing professional development and the availability of qualifications, and improving personal development through sport and adventurous training, we continue to encourage people to use their Will to leave a lasting legacy. We very much hope you will consider this with a legacy (gift) to the RECCT in your Will.

What will the Royal Engineers do with your legacy?

The MOD funds the operational part of the Corps – in broad terms the costs associated with manpower, equipment, training and sustainability. But, there is much more to what the Corps does than this. We are a close-knit 'family' group who support each other, and our dependants, whenever it is necessary, both during and after service. The Corps is truly a life-long organisation.

So we help Sappers past and present through the Corps' charities overseen by the RECCT. The Royal Engineers Association delivers support to those in financial need, whether serving or veteran. The Institution of Royal Engineers provides professional qualifications and the Royal Engineers Vocational, Educational and Training Trust assists in career transition through the provision of accredited civilian qualifications. The Museum, Library and Archive protect and display our heritage – of which we can be justly proud – bringing it to life so that current generations of Sappers can take pride in and learn from the past. The RECCT also helps our soldiers develop personal and



leadership skills by supporting adventurous training activities and encouraging participation at all levels of sport from unit all the way up to national representation.

All this costs money, the bulk of which comes from the RECCT. But continued pressure on public finances, in particular reductions in the civil service, means the Corps must seek additional funds to avoid drawing down capital. Any legacy will therefore be hugely appreciated and used responsibly and respectfully. Every single penny will be put to good use in pursuit of the RECCT charitable objects.

How is Inheritance Tax reduced?

If your estate is valued in excess of £325,000 when you die, Inheritance Tax (IHT) may be due. But any gifts you make to the RECCT (or any registered charity) during your lifetime or in your Will will be exempt from Inheritance Tax. In addition, since 2012, if you leave 10% of your estate to charity, the tax on the remainder of your estate is paid at a reduced rate of 36% instead of 40%, which could in some circumstances be a significant benefit to your beneficiaries. In order to qualify for the reduced rate you must leave at least 10% of the net value of your estate to a qualifying charity. The net value of your estate is the sum of all assets after deducting any debts, liabilities, reliefs, exemptions and the nil-rate band. In the following example, a donation to the RECCT of £50,000 may be made at a cost of £15,000. So, by donating to a charity, it is possible to significantly reduce your Inheritance Tax.

Without Legacy

Total value of estate	£750,000	
Less	£325,000	Inheritance Tax threshold
Taxable amount	£425,000	
Tax @ 40%	£170,000	
Net residue of estate	£580,000	

With Legacy

Total value of estate	£750,000	
Less	£325,000	Inheritance Tax threshold
Taxable amount	£425,000	
Legacy to RECCT	£50,000	
10% Charity Threshold	£42,500	(threshold for applying 36% IHT passed)
Taxable amount	£375,000	(£750,000 - £325,000 - £50,000)
Tax @ 36%	£135,000	
Net residue of estate	£565,000	

Therefore, the RECCT receives £50,000 but the net residue of your estate goes down by only £15,000.



How is a legacy to the RECT included in my Will?

There are two types of legacy:

- a. A percentage of your estate after the expenses and gifts are paid. The percentage is not impacted by inflation which means less chance of needing to update your Will.
- b. A fixed amount of money.

To include a legacy in your Will, we always recommend you use a solicitor. If you have already made a Will and would like to include a legacy then your solicitor can update your Will to include this or draft a codicil for you. Here is an example of the wording you should use:

To leave a percentage of your estate: *Subject to payment of my debts, funeral and testamentary expenses, I give the whole / ...% of my estate not otherwise disposed of by this my Will to The Royal Engineers Central Charitable Trust Fund (A charity registered in England and Wales, number 1003032) of Regimental Headquarters Royal Engineers, Ravelin Building, Brompton Barracks, Chatham, Kent ME4 4UG for the general purposes of the Charity and I declare that the receipt of its Treasurer or other proper officer shall be a full and sufficient discharge.*

To leave a fixed amount: *I give free of tax to The Royal Engineers Central Charitable Trust Fund (A charity registered in England and Wales, number 1003032) of Regimental Headquarters Royal Engineers, Ravelin Building, Brompton Barracks, Chatham, Kent ME4 4UG the sum of £..... for the general purposes of the Trust and I declare that the receipt of its Treasurer or other proper officer shall be a full and sufficient discharge.*

FAQ

Should I make a Will?

Yes. If you do not then your estate will pass in accordance with the intestacy rules which could mean your estate would not pass as you would have wanted. It can also cause unwanted and avoidable tax liabilities. Although we always recommend you use a solicitor to make or change your Will, making a Will is very simple. You need to decide who to appoint as your executors (who would administer your estate), any guardian appointments for your children and who you would like to benefit from your estate.

I have already made a Will - do I need to make a new one to leave a legacy?

Not at all. It would just be a case of adding a Codicil (a written amendment to a person's Will) to your original Will rather than redrafting it completely. Your solicitor can make this change for you.



I would consider a legacy to the RECCT but I do not want my family and friends to miss out. What should I do?

Of course, family and friends come first. All we ask is that you consider leaving us a share of whatever is left of your estate once your specific wishes have been carried out. If a large number of people gave just 1% of their estate to the RECCT it could provide, in the aggregate, a significant amount of money. For the individual this could be a modest commitment which would not greatly alter family provision at all.

What is the £1m inheritance tax boost I have heard about?

In 2015, the Chancellor announced a new 'main residence allowance' which will effectively raise the inheritance tax threshold to £1m for married couples who leave their home to their children or grandchildren. The changes will be gradually introduced between April 2017 and 2020/21.

Under existing rules, the nil-rate band is £325,000 per person. This means that a couple can pass on a family home and other assets up to the value of £650,000. But the new 'main residence allowance' of £175,000 per person will effectively top the nil-rate band up to £500,000 per person, with the caveat that the top-up can only cover your main family home. Here is an example of the changes in practice: Mr and Mrs Smith own a house worth £750,000 and have savings and other assets worth £250,000 – so an estate worth £1m in total. Mr Smith dies in 2015 and leaves his entire estate to his wife. Under the current rules, when Mrs Smith dies her heirs can claim a double allowance of £650,000 on a total estate worth £1m. This leaves £350,000 to be taxed at 40%. The inheritance tax due is therefore £140,000.

If Mrs Smith dies in 2020 – after the full change takes place – the transferred allowance from her husband will be £325,000 plus £175,000, a total of £500,000.

Mrs Smith's own allowance is also boosted from £325,000 to £500,000, so the couple's entire estate, worth £1m, is effectively IHT free. This is because the first £650,000 takes their £250,000 savings and £400,000 of the value of the family home out of tax.

The remaining £350,000 of their property is covered by the new transferable main residence allowance of £175,000 per person.

What about the law in different parts of the UK?

Inheritance Law is the same in England and Wales. However, some important aspects differ in Scotland, Northern Ireland, the Channel Islands and the Isle of Man. A solicitor or legal adviser with knowledge of these jurisdictions can help you.

