

Nil-Rate Band Discretionary Trust: Example for Widows and Widowers who have remarried

Widows and widowers who have remarried can include an Nil-Rate Band Discretionary Trust (NRBDT) in their wills to preserve any unused allowance from their former spouse rather than waste it.

Example: Bob dies leaving his full estate to his wife Joan. No inheritance tax was due on Bob's death due to the spouse exemption. Joan's estate is £600,000 when she marries Fred who has an estate of £300,000.



No NRBDT	NRBDT
Joan makes a simple 'all to Fred' will	Joan includes a Nil Rate Band Discretionary Trust in her will and leaves the rest of her estate to Fred
Bob's unused NRB is wasted.	Fred and Joan's nephews can benefit from Bob's unused NRB £325,000 without it increasing Fred's estate.
Joan's £600,000 estate passes tax-free to Fred due to the spouse exemption.	£275,000 of Joan's estate passes tax-free to Fred due to the spouse exemption.
Fred dies with an estate of £900,000	Fred dies with an estate of £575,000
His executors have Fred and Joan's unused NRB of £650,000. (£900,000 - £650,000 = 250,000 taxable @ 40%)	His executors have Fred and Joan's unused NRB available.
Fred's estate pays £100,000 inheritance tax.	Fred's estate pays no inheritance tax.

What if both spouses were widowed before they got married?

In this scenario, the couple would both include NRBDTs in their wills to preserve any unused transferrable allowances from their deceased spouse.

If Joan and Fred were both widowed before they married and they inherited their late spouse's full estate, there are potentially four NRBs that may be claimed worth up to £1.3 million.

Do I need to make a new will?

If you have been widowed previously and have remarried, it is important to make sure you have a valid will in place.

Getting this reviewed by a qualified professional will enable you to ensure that the right structure is in place for your own circumstances.