REMEMBER A CHARITY IN YOUR WILL
Help the work live on...

THE INSTITUTE OF LEGACY MANAGEMENT

REPRESENTATION TO AUTUMN BUDGET 2024

INTRODUCTION

Remember A Charity (part of the **Chartered Institute of Fundraising**) and the **Institute of Legacy Management (ILM)** are making this joint submission in our representative capacity for hundreds of UK charities that rely on charitable gifts in Wills for vital long-term.

SUMMARY

This submission focuses on the importance of this vital income stream in funding charitable services for beneficiaries across the UK. Generating long-term, sustainable income streams for charities and community-based organisations, gifts in Wills are a meaningful and deeply valued way for supporters to continue their giving beyond their lifetime. Our proposals aim to enable government to:

1. Ensure the continued growth of this vital income stream, which thousands of charities have come to rely on;
2. Enable charities to develop long-term sustainable income to meet current and future demand; and
3. Nurture the culture of philanthropy here in the UK.

Here we offer three ways Government can nurture and support the growth of this vital income stream, ensuring charitable services can keep pace with growing demand from beneficiaries.

This submission calls on Government to protect charitable legacy giving in the UK by:

- Protecting and preserving the Inheritance Tax incentives for supporters who choose to remember a charity in their Will;
- Exploring how the tax incentives could be broadened to reward more supporters for leaving a gift in their Will; and
- Resourcing the HMCTS Probate Registry sufficiently so that they can continue to reduce the backlog at probate and minimise the impact of delays on grieving families and charities alike.

BUILDING CHARITIES' CAPACITY AND RESILIENCE THROUGH LEGACY GIVING

As one of the largest single sources of charitable income for an increasing number of charitable organisations, gifts in Wills raise £4 billion annually for charities and community-based organisations across the UK. This income is essential to sustaining services for future generations, with the collective impact of gifts in Wills creating long-term and largely unrestricted income streams for charities, enabling them to survive challenging economic times and to plan ahead and budget for the future.

Against a difficult economic backdrop – with rising living costs and the increased demand for charitable services – legacies bring resilience and hope. Current market estimates predict that legacy giving will continue to grow and, by 2050, such gifts will amount to £10 billion a year. With 1,000 charities in England and Wales already relying on legacy gifts for an average of £3 in every £10 raised from public donations, and more charities depending on legacies for funding, that growth will be crucial to the future of charities and charitable services. This in turn alleviates the pressure on Government and supports many of the organisations through which public services are delivered.

Gifts in Wills currently fund:

- Over 50% of the British Heart Foundation's lifesaving research to save and improve lives, bringing hope to families, and keeping hearts beating across the UK.
- Palliative care and bereavement support from the charity Sue Ryder, where Gifts in Wills fund the compassionate end-of-life care given to one in six patients supported in their hospices or in their homes.
- 6 in 10 lifeboat launches delivered through the RNLI, saving lives and engaging local communities in voluntary action.
- Smaller charities like Young Sounds UK, which was founded through a charitable gift in a Will. That gift has funded more than 5,000 talented young musicians from low-income families.

Government can protect this vital income stream by protecting and potentially broadening the tax incentives, and ensuring the probate department at HMCTS is well resourced.

PRESERVING THE FISCAL INCENTIVES FOR CHARITABLE BEQUESTS

Against the backdrop of calls for reforming inheritance tax (IHT), we are urging the government to preserve the fiscal incentives for charitable bequests.

Under the current IHT framework, not only are charitable bequests tax-free, but the tax rate reduces from 40% to 36% if a person leaves 10% or more of their net estate to charity. These incentives are a crucial contributor to legacy income. Whilst IHT impacted just around 4.4% of deaths in 2021/22 (27,800), almost 10,000 estates utilised IHT exemptions on transfers to charities. Those donations delivered £2.1 billion – over half of the annual legacy income received by charities. In fact, almost half of this figure (£931 million) was raised from estates giving 10% or more and paying the 36% tax rate.

While the IHT incentives can encourage people to give more generously than they would do otherwise, they play a wider strategic role in normalising legacy giving. And this is where the impact of the tax breaks really is crucial.

According to our annual professional adviser tracking study carried out by Savanta, tax incentives are the most prevalent reason solicitors and Will-writers give for raising the option of legacy giving with clients[1]. In fact, 4 in 5 professional advisers surveyed (82%) said they always or sometimes inform their clients of the charitable Will-writing incentives. These conversations are essential in driving behaviour change and inspiring the public to give. This is demonstrated by [research from the Behavioural Insights Team](#) (formerly part of the Cabinet Office), which found that simply referencing the option of leaving a gift doubles the chances a client will do so.

At a time when legacy giving is growing and charities so urgently need this funding, our concern is that any change to IHT that reduces or removes the incentives for legacy giving would jeopardise this vital income stream. This could have devastating consequences for both the organisations that rely on these donations and their beneficiaries. Should the government choose to reform the tax, it is imperative that they consult with the charity sector and fully take into consideration the risks to charitable income.

BROADENING THE FISCAL INCENTIVES FOR CHARITABLE BEQUESTS

Alongside maintaining the current IHT incentives, we would welcome the opportunity to further expand the tax benefits for those whose estates lie below the tax threshold or to increase the generosity of tax relief for larger gifts.

When you consider that the median residuary legacy donation is 10% for estates of £500,000 and over, a higher incentive for larger gifts could inspire those with wealth to give even more generously[1].

Therefore, suggestions for broadening those tax incentives might include the following:

- In addition to the 10% IHT rate reduction on gifts of 10% of the net estate, donors could be encouraged to give more generously with, for example, a 20% IHT rate reduction on gifts of 20% of the net estate, reducing the IHT rate from 40% to 32%;
- VAT relief on the cost of writing any Will that includes a charitable donation, further normalising discussion around including charitable gifts in Wills ***or*** VAT relief could be offered on professional execution fees for Wills.

As the number of estates paying IHT rises, an increase in charitable incentives would be warmly welcomed not only by charities, but by those who can reduce the tax payable on their estates in this way. It gives taxpayers the freedom and flexibility to manage their estate in a way that suits their personal and financial goals, underlining this government's commitment to a fair and proportionate tax regime.

ENSURING THE PROBATE SERVICE IS APPROPRIATELY RESOURCED

The Probate Registry plays a key role in enabling the timely distribution of legacy donations to charity beneficiaries, ensuring supporters' final wishes are honoured. Upon a grant of probate, a Will becomes a public document, allowing a specialist legacy notification service, operated by Smee & Ford, to obtain a copy and identify any charitable bequests. This is an essential part of the legacy financial planning process, allowing charities to identify future income and make informed decisions on how to best allocate resources to services.

Following several years of delays at probate, leading to a considerable backlog in charitable estates, we have seen the impact both on grieving families and charities alike. Not only can charities not forecast

[1] Smee & Ford, Analysis of legacy data from 2016 to 2023.

future income in these circumstances, impacting their wider planning, but they have had to postpone key projects, capital expenditure and more, limiting their ability to serve beneficiaries who so urgently need their support. Both Remember A Charity and ILM were called into Parliament to present to a cross-party panel of MPs at the recent Probate Inquiry, addressing the impact of such delays on charities and the communities they serve.

In recent months, HMCTS has improved their output of grants of probate significantly and we are grateful for their willingness to work with us to not only improve performance levels, but to provide greater transparency over their expectations for service levels. However, with the prediction that the number of deaths will grow to over 700,000 people per year and drive up probate workloads further, it is crucial that HMCTS is appropriately supported to respond to this shift.

After witnessing the impact on charities of the probate backlog, we cannot emphasise enough the importance of ensuring there is a well-funded and well-resourced probate registry, equipped to handle the growing volume of estates so that funds can be released in a timely manner, limiting distress to grieving families and charities alike.

CONCLUSION

These three asks of protecting the IHT incentives, expanding the fiscal benefits and resourcing the probate department would play a key role in safeguarding charitable gifts in Wills and driving sustainable long-term income streams for decades to come.

ABOUT REMEMBER A CHARITY

Remember A Charity was established in the year 2000 as a consortium of charities working to inspire more people to consider leaving a gift to charity in their Will. Now with almost 200 charity members, the campaign works with Government, the legal profession, and financial advisers to grow legacy giving. Remember A Charity Week takes place in September each year.

Remember A Charity is part of the Chartered Institute of Fundraising, which is incorporated by Royal Charter (RC000910) and is a charity registered in England and Wales (No. 1188764) and Scotland (No. SC050060).

ABOUT THE INSTITUTE OF LEGACY MANAGEMENT

The ILM is the membership body for charity legacy professionals. Founded in 2000 we now have over 700 members, working for c.500 charities, who between them manage over £3bn of legacy income each year. We provide training and guidance to our members and executors, and work with Remember a Charity to positively influence the environment for legacy giving.