

Almost three-quarters of people don't understand how inheritance tax works, new report shows

- 71% of people admit they don't understand how inheritance tax (IHT) works or what their beneficiaries might have to pay
- While 41% of people recognise not discussing finance as a widespread issue, 34% rarely or never broach the subject with their family
- Nearly half of people admit planning for later-life care is important - yet 40% have done nothing about

A new report from Schroders Personal Wealth (SPW) has revealed that many people are not financially prepared for the future. Uncertainty around IHT emerged as a key issue. While 77% of respondents are familiar with the concept, a staggering 71% admit they don't understand how it works or what their beneficiaries might have to pay. More than 40% of people don't have a will in place, the most common reasons being lack of time or believing it's too early.

The *Family and Finances Report 2025*, which surveyed 1,000 UK adults across four distinct age groups to examine how different generations perceive and manage their finances, also showed that 40% of people believe inheritance and estate planning is the 'last great family taboo'.

While many families acknowledge the importance of financial planning, they often struggle to implement it. Almost half of respondents identified lack of planning for later-life care as a common financial misstep, yet 40% admit they haven't addressed it themselves. 41% recognise that not discussing finances is a widespread issue, but over a third rarely or never broach the subject with their family.

Across the generations, Millennials – people born between 1981 and 1996, emerged as the most proactive age group in planning for their financial future – often as knowledgeable, if not more so than their retirement-age counterparts. However, this group is the least likely to have sought professional financial advice, highlighting a risk that not all generations are engaged or are equipped with the tools they need to effectively plan for their financial futures.

Key findings:

- **71%** of people admitted they didn't understand how IHT works or what their beneficiaries may have to pay
- **40%** of people do not currently have a will in place with **14%** simply trusting their family to handle their estate which could be expensive and stressful for loved ones
- While **41%** of people recognise not discussing finance as a widespread issue, **34%** rarely or never have financial conversations with their family
- **40%** of people have done nothing to prepare for later-life care, despite almost half identifying lack of planning for the matter as a common financial misstep
- While retirees are the most likely to have already gifted significant assets at **34%**, Millennials are not far behind at **28%** - a surprising indication that younger adults are also actively engaging in their family's financial support

Ben Waterhouse, Chief Client Officer at Schroders Personal Wealth, said:

"At Schroders Personal Wealth, we understand that discussing finances can often feel uncomfortable, yet it is essential for securing the financial future of our loved ones. This report highlights the importance of intergenerational planning and the need for open conversations about inheritance and estate planning. By addressing these topics early, families can avoid potential conflicts and make informed decisions that aim to benefit everyone involved. We encourage everyone to start these crucial conversations today to ensure peace of mind and financial confidence future generations."

Alex Gaita, Financial Planning Director at Schroders Personal Wealth, said:

"Getting our financial affairs in order is something many of us put off, but it becomes increasingly important as we think about the future. While a will and Lasting Power of Attorney is a good start, they don't address the wider considerations needed when it comes to reducing IHT. That's where early planning could make a real difference. It can be quite a difficult topic but when I speak to clients about how their money could help the next generation - from their children, even to their great grandchildren's future - the conversation shifts. They start to think not just about what they've built, but about the legacy they want to leave behind."

For further information, please see attached the full Family and Finance Report 2025.

Fees and charges apply at SPW.

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