

# OpenVoiceNews U.K.

Transparent. Unbiased. Yours.

## Affluent Turn to Life Insurance as UK Inheritance Tax Rules Tighten

---

July 16, 2025

– Categories: *Finance*



Download IPFS

Wealthy families across the United Kingdom are increasingly relying on life insurance to soften the impact of sweeping inheritance tax reforms introduced in the latest Budget. Financial advisers and brokers report a sharp rise in demand for policies designed to shield heirs from sudden and substantial tax bills.

The recent changes to inheritance tax regulations have caught many estate owners off guard. Previously, individuals were able to pass on a sizable portion of their wealth without incurring significant tax liability. However, the updated thresholds and tightened reliefs now mean more families face higher obligations when transferring assets to the next generation. The inheritance tax, often abbreviated as IHT, is levied on estates valued above the government's set limit, currently £325,000, with rates that can reach 40 per cent.

Industry experts say this shift has prompted a rush among high-net-worth individuals to explore life insurance as a strategic safeguard. By securing a policy, estate owners can ensure that heirs receive a payout to cover part or all of the IHT bill, preventing forced sales of property or investments to meet tax demands.

Ben Davis, a senior adviser at London-based brokerage firm Carter & Co., noted, “We have seen inquiries about life cover double since the Budget. Clients are concerned about preserving their family's wealth and avoiding disruption when assets are passed down.”

While critics argue that these reforms could undermine incentives for long-term savings and investment, proponents contend they are necessary to boost public revenues and ensure fairness in the tax system. Nonetheless, the financial burden has prompted many affluent families to act swiftly to protect their legacies.

With uncertainty over whether further tax changes could be on the horizon, advisers recommend that estate owners review their plans and consider life insurance as part of a broader strategy to manage rising inheritance tax exposure.