# Navigating inheritance tax and care costs in multigenerational home ownership



A reader seeking advice on buying a property jointly with their daughter and young grandson faces a complex set of concerns relating to inheritance tax (IHT) and the impact of potential care home costs. They plan to combine their resources—around £500,000 from the reader and £300,000 from the daughter—to purchase a family home, but want to ensure the daughter and grandson are protected from financial risks in the future.

Inheritance tax and care home fees are key issues. The reader worries whether the daughter would have to pay IHT upon their death, or if she might be forced to sell the property to cover care home costs, and if so, what happens if she cannot afford these expenses. Professional financial advisers consulted by This is Money highlight the inherent challenges of balancing estate protection with care needs in multigenerational home ownership.

One common approach is purchasing the property as tenants in common, where ownership shares can be split according to each party’s contribution (for example 60-40 or 50-50). This arrangement allows each owner to pass their share to chosen heirs via their wills, protecting the daughter’s and grandson’s inheritance. However, owning the property this way does not eliminate inheritance tax liabilities. Each person benefits from a nil-rate band (£325,000) plus a residence nil-rate band (£175,000), allowing up to £500,000 free of IHT per person, but amounts above this could be taxed at 40%.

If the reader gifts their £500,000 share outright to their daughter, it will escape IHT if they survive for seven years post-gift, but they cannot continue living in the property rent-free without triggering tax consequences under the "gift with reservation of benefit" rule. Paying market rent can avoid this issue. Alternatively, they could loan the money rather than gifting it, enabling them to live in or use the property, but this loaned amount remains within their estate for IHT purposes.

From a care funding perspective, if the reader needs to go into a care home, local authorities assess assets, including property value, to determine whether care costs must be self-funded. Generally, a share of property occupied by a qualifying relative—such as a spouse, partner, child under 18, or a relative over 60 or incapacitated—may be disregarded in assessments. However, other adult relatives living there may not offer this exemption, and councils have discretionary powers to disregard property if eviction would cause homelessness, though this is not guaranteed.

If capital exceeds £23,250, self-funding care usually applies. Options like equity release loans or Deferred Payment Schemes can provide cash to pay fees without immediate sale of the home, but these carry financial risks and should be approached cautiously with expert advice. Selling the property to cover care costs remains a possibility if no other assets suffice.

The reader could also consider life insurance policies written in trust to cover anticipated IHT bills, facilitating smooth transfer of assets without resorting to selling the home. This financial safeguard can help the daughter retain ownership unencumbered by estate tax liabilities.

Nonetheless, it is critical to seek tailored legal and financial advice before proceeding. Adding children to property titles, while seemingly straightforward, can expose the home to their financial difficulties, complicate future sales or refinancing, and potentially trigger unintended tax consequences. Careful estate and tax planning, including exploring trusts or other asset protection strategies, is essential to balance protection of the property, inheritance goals, and care cost implications.

In summary, protecting a family home shared between generations from care home fees and inheritance tax requires a nuanced approach. Legal ownership structures like tenants in common, life insurance policies, careful gifting strategies, and consideration of care funding rules all play roles. Consulting specialist professionals is imperative for setting up arrangements that secure the reader’s intention to provide for their daughter and grandson without risking forced sale or excessive taxation.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.dailymail.co.uk/money/financial-planning/article-15103201/I-want-buy-house-daughter-grandson-stung-inheritance-tax-die.html?ns_mchannel=rss&ns_campaign=1490&ito=1490)
* Paragraph 2 – [[1]](https://www.dailymail.co.uk/money/financial-planning/article-15103201/I-want-buy-house-daughter-grandson-stung-inheritance-tax-die.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[3]](https://www.silverliningep.co.uk/will-care-home-fees-wipe-out-your-children%E2%80%99s-inheritance/)
* Paragraph 3 – [[1]](https://www.dailymail.co.uk/money/financial-planning/article-15103201/I-want-buy-house-daughter-grandson-stung-inheritance-tax-die.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://www.sfe.legal/Public/Public/Resources/Blog-Posts/Can-I-protect-my-children%E2%80%99s-inheritance-if-I-move-into-a-care-home-.aspx), [[3]](https://www.silverliningep.co.uk/will-care-home-fees-wipe-out-your-children%E2%80%99s-inheritance/)
* Paragraph 4 – [[1]](https://www.dailymail.co.uk/money/financial-planning/article-15103201/I-want-buy-house-daughter-grandson-stung-inheritance-tax-die.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://www.sfe.legal/Public/Public/Resources/Blog-Posts/Can-I-protect-my-children%E2%80%99s-inheritance-if-I-move-into-a-care-home-.aspx), [[7]](https://www.tbw.uk.com/blog/protecting-your-home-and-your-childrens-inheritance-from-care-home-fees.html)
* Paragraph 5 – [[1]](https://www.dailymail.co.uk/money/financial-planning/article-15103201/I-want-buy-house-daughter-grandson-stung-inheritance-tax-die.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[3]](https://www.silverliningep.co.uk/will-care-home-fees-wipe-out-your-children%E2%80%99s-inheritance/), [[7]](https://www.tbw.uk.com/blog/protecting-your-home-and-your-childrens-inheritance-from-care-home-fees.html)
* Paragraph 6 – [[1]](https://www.dailymail.co.uk/money/financial-planning/article-15103201/I-want-buy-house-daughter-grandson-stung-inheritance-tax-die.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://www.sfe.legal/Public/Public/Resources/Blog-Posts/Can-I-protect-my-children%E2%80%99s-inheritance-if-I-move-into-a-care-home-.aspx), [[5]](https://newsilver.com/the-lender/how-to-avoid-inheritance-tax-on-property/)
* Paragraph 7 – [[1]](https://www.dailymail.co.uk/money/financial-planning/article-15103201/I-want-buy-house-daughter-grandson-stung-inheritance-tax-die.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[4]](https://www.rouletlaw.com/blog/hidden-dangers-of-putting-your-kids-on-title-to-your-home.cfm), [[6]](https://www.elderlawanswers.com/three-reasons-why-giving-your-house-to-your-children-isnt-the-best-way-to-protect-it-from-medicaid-16431), [[7]](https://www.tbw.uk.com/blog/protecting-your-home-and-your-childrens-inheritance-from-care-home-fees.html)
* Paragraph 8 – [[1]](https://www.dailymail.co.uk/money/financial-planning/article-15103201/I-want-buy-house-daughter-grandson-stung-inheritance-tax-die.html?ns_mchannel=rss&ns_campaign=1490&ito=1490), [[2]](https://www.sfe.legal/Public/Public/Resources/Blog-Posts/Can-I-protect-my-children%E2%80%99s-inheritance-if-I-move-into-a-care-home-.aspx), [[3]](https://www.silverliningep.co.uk/will-care-home-fees-wipe-out-your-children%E2%80%99s-inheritance/), [[5]](https://newsilver.com/the-lender/how-to-avoid-inheritance-tax-on-property/), [[7]](https://www.tbw.uk.com/blog/protecting-your-home-and-your-childrens-inheritance-from-care-home-fees.html)

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.dailymail.co.uk/money/financial-planning/article-15103201/I-want-buy-house-daughter-grandson-stung-inheritance-tax-die.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data
2. <https://www.sfe.legal/Public/Public/Resources/Blog-Posts/Can-I-protect-my-children%E2%80%99s-inheritance-if-I-move-into-a-care-home-.aspx> - This article discusses strategies to protect children's inheritance when a parent moves into a care home. It explains that the value of a home may be considered in care fees assessments, but certain exemptions apply if a spouse, partner, or dependent relative resides there. The piece also highlights the importance of planning ahead and consulting with legal professionals to safeguard assets effectively.
3. <https://www.silverliningep.co.uk/will-care-home-fees-wipe-out-your-children%E2%80%99s-inheritance/> - This article examines the impact of care home fees on children's inheritance. It outlines how local authorities assess assets, including the family home, when determining care fees. The piece also discusses strategies to protect assets, such as gifting property to children and setting up trusts, while cautioning about potential tax implications and the importance of proper planning.
4. <https://www.rouletlaw.com/blog/hidden-dangers-of-putting-your-kids-on-title-to-your-home.cfm> - This article explores the risks associated with adding children to a home's title. It highlights potential issues like exposure to children's financial problems, complications in refinancing or selling the property, gift tax implications, and loss of capital gains tax benefits. The piece advises against this strategy and recommends consulting with legal professionals for alternative solutions.
5. <https://newsilver.com/the-lender/how-to-avoid-inheritance-tax-on-property/> - This article provides strategies to avoid inheritance tax on property. It discusses setting up trusts, such as Qualified Personal Residence Trusts (QPRTs), and family limited partnerships to transfer property to beneficiaries while reducing tax liabilities. The piece emphasizes the importance of proper planning and consulting with professionals to implement these strategies effectively.
6. <https://www.elderlawanswers.com/three-reasons-why-giving-your-house-to-your-children-isnt-the-best-way-to-protect-it-from-medicaid-16431> - This article outlines three reasons why gifting a house to children may not be the best strategy to protect it from Medicaid claims. It discusses potential loss of control over the property, adverse tax consequences, and the risk of ineligibility for Medicaid benefits due to the five-year look-back period. The piece advises consulting with elder law attorneys for alternative solutions.
7. <https://www.tbw.uk.com/blog/protecting-your-home-and-your-childrens-inheritance-from-care-home-fees.html> - This article discusses methods to protect a home and children's inheritance from care home fees. It advises against adding children's names to property deeds, as it may be considered a deliberate deprivation of funds by local authorities. The piece also clarifies misconceptions about the seven-year gifting rule and recommends consulting with legal professionals for appropriate strategies.