

AN ADVISER GUIDE FROM BLACKFINCH

**Help guide your clients
and their beneficiaries
through estate planning
and probate**

The 'great wealth transfer' has been widely discussed in the media, with advisers sharing their concerns about the movement of wealth between generations without their input or advice. Research¹ conducted by Schroders found that many advisers have an ageing client base...

Only 9%
of clients

have had conversations with their children about seeing an adviser.

63% of
financial advisers

were concerned that they could lose business as wealth transfers between generations.

▲ up from 59% last year

Wealth transfer is just as much of a worry for clients, with many concerned that their beneficiaries could be penalised with a tax bill when the time comes. Every month² approximately 5000 searches are made on Google asking, "How can I avoid inheritance tax?".

Financial advisers have an important role to play in helping clients prepare their estate to pass it on to friends and family in the most effective way. And a proactive approach to engaging with beneficiaries ahead of time can help reduce the burden of financial worry when they later experience the difficult period of their grieving.

Consumer Duty requires advisers to demonstrate the value they bring, and that they are always acting in the clients' best interests. This means helping them prepare with estate planning and also acting on their behalf after they have died. Working together, advisers can help clients and their beneficiaries to have improved outcomes and increase the financial wellbeing of this and future generations.

This guide provides valuable, actionable suggestions for how to sensitively, and appropriately, navigate the importance of financial advice in relation to wills, estates and probate.

We have focused here on cases where the client owns an estate planning service such as the Blackfinch Adapt IHT Service or our Adapt AIM Portfolios, both of which use Business Relief (BR) for a swifter route to IHT exemption. If you'd like to take a deeper dive into BR, and how it can benefit more of your clients, we suggest you take a look at the [Blackfinch Guide to Business Relief](#), written specifically for advisers.

For more guides, case studies and client-friendly resources, please feel free to contact your local Blackfinch Business Development Manager, call 01452 717070, or visit blackfinch.com/resources/.



Start early with estate planning

If you've recommended BR-qualifying investments to your clients, you'll know that they are a valuable way for them to ensure that large sums of money should achieve Inheritance Tax (IHT) exemption. As a reminder, if an individual holds shares in any company or estate planning service that qualifies for Business Relief, those shares become exempt from IHT after a holding period of just two years, provided the shares are still held at the time of death. That's a much shorter timeframe than other IHT planning strategies, such as settling assets into trust or gifting large sums, both of which take seven years before benefiting from full IHT exemption.

Once the initial investment is made, it's a good time to speak to their client about ensuring the value of the investment is passed on as tax-efficiently as possible when the time comes. Waiting until later could mean some important steps get forgotten.

Over the next few pages we have outlined areas to discuss with your client.



STEP 1

Including the investment in their will

Perhaps the best place to start is by reminding the client that their will should be updated to include details of the BR-qualifying investment. The best time to do this is as soon as the client has received their investment details from the product provider.

These are some of the benefits you can explain to your client:



Removing uncertainty with HMRC

By specifying the anticipated date by which assets should qualify for Business Relief in the will, the executors of the estate have full knowledge of the client's investments. This can streamline the probate process (discussed on [page 13](#)) and can help prevent or resolve any potential challenges from beneficiaries or HMRC.



Evidence of ownership

Explicitly naming the BR-qualifying investments in their will can serve as evidence of the client's ownership and control over them, which can be crucial in establishing eligibility for Business Relief.



Efficient estate management

If the client's estate is complex with various investments and assets, specifying which ones qualify for Business Relief can help make the process easier for the executors to identify and manage them efficiently.

STEP 2

Deciding which beneficiaries will receive the BR-qualifying investment

To make the most of the IHT exemption, it's important that clients have a good understanding of how it can be passed to someone else when they die.

- If an entire estate is being left to the client's spouse or civil partner, the transfer is already exempt from IHT.
- If a client intends to leave their BR-qualifying assets to a combination of their spouse AND other beneficiaries who are not exempt, such as children or grandchildren, the Business Relief will only apply to the portion of the assets going to the non-exempt people since the spousal transfer is exempt.
- If the client intends to leave the entire BR-qualifying asset to beneficiaries who are not automatically exempt, they will receive the full benefits of the relief.

With this in mind, the client should consider how they allocate out their investments to pass on the Business Relief they have accumulated in the most efficient way.

STEP 3

Discussing the contents of a will with beneficiaries

Understandably, people often put off talking about issues such as death and inheritance with their loved ones, sometimes until it's too late. As a result, the beneficiaries may not understand their estate plans, or who is named as the executor of the estate. They may not even be aware of your role as the financial adviser.

If feasible, it may be worthwhile proactively suggesting a meeting with the client, the executors and the beneficiaries. These can take place online or in person, to help engage with all those concerned no matter where they are based. The meeting can be a way for you to take on the role of sharing the details of the estate plan, which can be hugely beneficial to clients who may not know how to explain the information.

Not only does this give you a chance to introduce yourself to the people who will one day deal with and inherit the client's estate, but it will position your services and reinforce the trust they can have in you when the time comes to handle the financial affairs.

The probate process can be long, so having good communication and a better relationship with those involved can help remove friction and smooth the experience.



STEP 4

Storing important information in a safe but easily found location

After a death, one of the biggest challenges executors face is establishing the value of the deceased's estate, and how it should be distributed.

Clients can make this task considerably easier if they take some time to put all of the records and information in the same spot, and ensure it can be easily found by the executors when the time comes.

It might be worth suggesting to clients that they pull together an information pack that covers off all the necessary information, all in one place.

Some useful items to include would be:



- ✓ Your contact details including the firm details, and instructions to contact you upon the client's death

- ✓ Details of their solicitor

- ✓ The latest version of their will including the list of investments and assets

- ✓ Legal documents (e.g., birth certificate, passport, marriage licence, divorce papers)

- ✓ Power of attorney documentation

- ✓ Mortgage deeds and information

- ✓ Pension plans and retirement plan details

- ✓ Details of any gifts made (including the amounts and dates of gifts)

- ✓ Any current insurance policies

- ✓ Medical records

- ✓ Any certificates of ownership (including share certificates and investment details) and receipts for major purchases

- ✓ Burial instructions

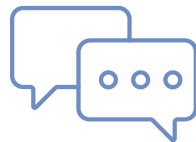
- ✓ Instructions for beneficiaries

- ✓ Annual tax returns

Learning of a client's death – what to do first

After a client passes away, you are in a unique position to help the executors understand the deceased's financial affairs, along with notifying the product providers of the death.

These are four valuable steps for you to consider:



STEP 1

Talk to the executors and beneficiaries

If you've not yet spoken, now is the time to introduce yourself, offer condolences and explain how you can help. This is also the time to answer any questions or deal with any concerns they have about the post-death process.



STEP 2

Talk to the solicitors

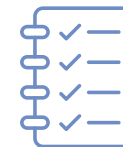
It's important to let the appointed solicitors acting on behalf of the estate know that you are involved, and are on hand to deal with any queries they have. Discussing the will can help identify any missing information you may be able to provide to help the process.



STEP 3

Talk to relevant investment product providers

The client will most likely have different investments or other products with a range of providers. You can contact each of them to request date-of-death valuations that will help facilitate the probate process for the executors.



STEP 4

Discuss any IHT planning or BR-qualifying investments in place

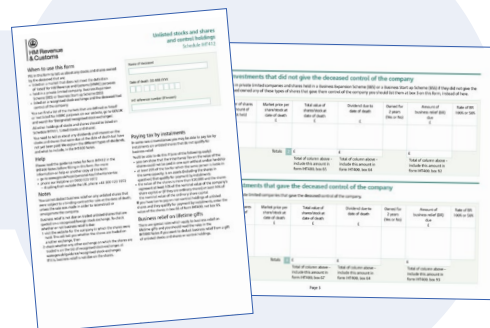
The beneficiaries will need to know:

- Which investments or estate planning services can claim IHT exemption
- An explanation of the tax reliefs and how to claim for them
- An explanation of the options available to them with the investment they stand to inherit to ensure they can take the best course of action. See below for more information on options. This is an important time for financial advice as the beneficiary could be unfamiliar with investments and trying to navigate many factors such as faith-based guidelines, a sense of obligation to the deceased, pressure from others, the grieving process and their own personal financial objectives.

Claiming Inheritance Tax Relief on BR-qualifying investments

If the investor held shares in a BR-qualifying investment for more than two years and still held them at the time of death, the shares may qualify for 100% Inheritance Tax relief.

To claim this relief, executors will need to complete the IHT412 form, which is available online at www.gov.uk.



If the investor passed away within two years of holding the shares, it's usually not possible to claim relief unless the investment was eligible for replacement property relief at the time of subscription, or if the successive transfer rules apply. A financial adviser will be able to confirm if these conditions are met in the investor's case.

By ensuring all relevant documents and information are easily accessible, clients can help make the process smoother for their executors when the time comes.



Assisting with the probate process

Before the deceased client's estate can be administered, the executors must apply for probate. Here's what you need to know:



Probate is the legal process of administering a deceased person's estate. It involves gathering the deceased's assets, paying off debts and taxes, and distributing the remaining estate to the beneficiaries. Where there is a will in place this is called Testate, and where there is no will in place it's called Intestate.

- After the death certificate has been issued, the executors must start establishing the value of the estate and obtaining date-of-death values for all relevant assets.
- Executors also must submit a probate form. In testate cases where the client left a will, the correct form is PA1P. If there's no will, intestate, the correct form for executors to complete is PA1A. Both forms can be found online at: <https://www.gov.uk/government/collections/probate-forms>
- Once the values have been established, the executors can complete a Trust and Estate Tax Return (also known as an [SA900 form](#)) that will calculate the amount of IHT due (if any) to HMRC.
- Probate is then granted if the estate is considered to be 'in order'. After the IHT bill has been paid, the executors can then distribute any available assets of the estate to beneficiaries as instructed, including settling outstanding debts and selling relevant assets. It's important for beneficiaries to know that the probate process can take several months, or longer for very complex estates.

Helping executors with settling an outstanding IHT bill

If it is identified that IHT is owed on an estate, the bill can be stressful for executors, especially if they are concerned about being forced to sell assets to pay the outstanding amount. To combat this, Blackfinch is part of HMRC's Direct Payment Scheme. This means an executor can choose to liquidate (either partly or in full) the deceased client's Blackfinch investment to cover the bill and we take care of paying the proceeds directly to HMRC.

Guidance for beneficiaries who inherit investments

When a client dies, their investments will eventually pass to the named beneficiaries as the probate process completes. The new owners will probably need financial advice to help them understand the options available to them.

In cases where the deceased client held shares in an estate planning service or BR-qualifying company, it's worth talking to beneficiaries about the concept of 'successive transfers', and whether retaining ownership of those shares could help them with their own estate planning needs.

A successive transfer refers to the common situation where assets are inherited by beneficiaries who themselves die shortly after. With some assets, this can potentially lead to multiple IHT liabilities within a short period, if the recipient doesn't also plan for it in their own will.

It's worth reminding beneficiaries that if an asset was BR-qualifying at the time of the client's death, the two-year clock for BR qualification does not reset if the beneficiary continues to hold them once inherited.

Ongoing Support



When dealing with probate, the required documents and processes can vary depending on the situation. Our dedicated Client Excellence team is here to support you throughout the entire process. Please don't hesitate to reach out to us for assistance.

Helping clients with estate planning shouldn't begin and end with recommending products. Right from the outset, there is an opportunity for you to act early to ensure their wishes for their estate can be carried out as swiftly and securely as possible, so that their legacy can be fulfilled.

Working with the bereaved also gives you the opportunity to ensure they benefit from your advice, including guidance to help them take the best course of action.

Blackfinch has a wide range of resources available for advisers, including a team of Business Development Managers with extensive experience in tax planning. They are happy to visit your firm and deliver training to upskill you and your team on anything you have read in this guide. We welcome the opportunity to discuss in more detail any specific cases you need help with, or to discuss wider question you may have about estate planning and Business Relief qualifying investments.



01452 717070



enquiries@blackfinch.com

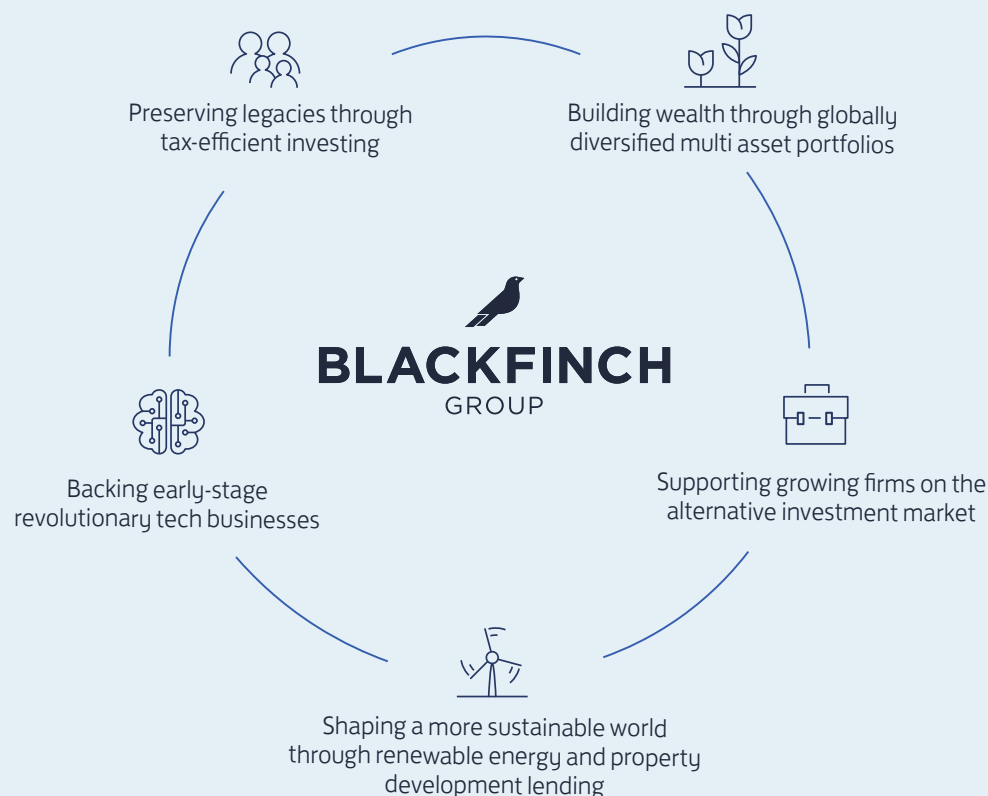


www.blackfinch.com

Blackfinch, a lifetime investment partner

Blackfinch offers a number of investment solutions, to address a range of client objectives.

No matter where they are in their investment journey, from starting out in building their wealth, through to managing their estate to ensure they pass on as much as possible to the next generation, we are here to help you achieve their goals.



Risks

Due to the potential for losses, the Financial Conduct Authority (FCA) considers this investment to be high risk.

What are the FCA key risks?

1 - You could lose all the money you invest

If the business you invest in fails, you are likely to lose 100% of the money you invested. Most start-up businesses fail.

2 - You are unlikely to be protected if something goes wrong

Protection from the Financial Services Compensation Scheme (FSCS), in relation to claims against failed regulated firms, does not cover poor investment performance. Try the FSCS investment protection checker (<https://www.fscs.org.uk/check/investment-protection-checker>).

Protection from the Financial Ombudsman Service (FOS) does not cover poor investment performance.

If you have a complaint against an FCA-regulated firm, FOS may be able to consider it. Learn more about FOS protection (<https://www.financial-ombudsman.org.uk/consumers>).

3 - You won't get your money back quickly

Even if the business you invest in is successful, it may take several years to get your money back. You are unlikely to be able to sell your investment early.

The most likely way to get your money back is if the business is bought by another business or lists its shares on an exchange such as the London Stock Exchange. These events are not common.

If you are investing in a start-up business, you should not expect to get your money back through dividends. Start-up businesses rarely pay these (<https://www.financial-ombudsman.org.uk/consumers>).

4 - Don't put all your eggs in one basket

Putting all your money into a single business or type of investment for example, is risky. Spreading your money across different investments makes you less dependent on any one to do well.

A good rule of thumb is not to invest more than 10% of your money in high-risk investments (<https://www.fca.org.uk/investsmart/5-questions-ask-you-invest>).

5 - The value of your investment can be reduced

The percentage of the business that you own will decrease if the business issues more shares. This could mean that the value of your investment reduces, depending on how much the business grows. Most start-up businesses issue multiple rounds of shares.

These new shares could have additional rights that your shares don't have, such as the right to receive a fixed dividend, which could further reduce your chances of getting a return on your investment.

If you are interested in learning more about how to protect yourself, visit the FCA's website (<https://www.fca.org.uk/investsmart>).

Important Information

This guide is issued by Blackfinch Investments Limited. Blackfinch Investments Limited is authorised and regulated by the Financial Conduct Authority (“FCA”) (FCA number: 153860). Registered Address: 1350-1360 Montpellier Court, Gloucester Business Park, Gloucester, GL3 4AH. Registered in England and Wales company number 02705948.

Any decision to invest in this service should be made on the basis of the information contained in the product brochure and the terms and conditions. Prospective investors must rely on their own examination of the legal, taxation, financial and other consequences of investing and the risk involved.

Prospective investors should not treat the contents of this guide as advice relating to legal, taxation or other matters. If they are in any doubt about the proposal discussed in this guide, its suitability, or what action should be taken, they should consult their own professional advisers.

Blackfinch Investments Limited has taken all reasonable care to ensure that all the facts stated in this guide are true and accurate in all material respects and that there are no other material facts or opinions which have been omitted where the omission of

such would render this guide misleading. However, no representation or warranty, expressed or implied, is given as to the accuracy or completeness of the information or opinions contained in this guide. No liability is accepted by Blackfinch Investments Limited, or any of its directors, members, officers, employers, agents or advisers, for any such information or opinions.

All statements of opinion and/or belief contained in this guide, all views expressed and all projections, forecasts or statements relating to expectations regarding future events, represent Blackfinch Investments Limited’s own assessment and interpretation of information available as at the date of this guide. This guide does not constitute, and may not be used for the purposes of, an offer or invitation to treat by any person in any jurisdiction outside the United Kingdom. This guide and the information contained in it are not for publication or distribution to persons outside the United Kingdom. It does not constitute a public offering in the United Kingdom.

The products detailed in this document may not be suitable for all investors and we would recommend that prospective investors seek independent advice before making an investment decision.