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Long term care planning
Elderly clients looking to keep access and control

As we age, we naturally begin to think about the possible future costs of care. While none of us know what care we might need, some clients may find reassurance in knowing they can access their money if their personal circumstances change.

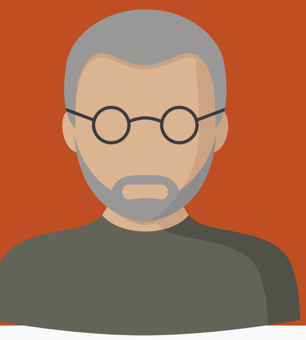
Clients may also be worried about the size of an Inheritance Tax (IHT) liability that could have accumulated against the value of their estate. They may feel that to mitigate the IHT they will have to compromise on having access to their funds.

This worry often stems from the more commonly understood rule that gifts and trusts take seven years to become up to 100% free from IHT. However, the good news is that an investment that qualifies for Business Relief (BR) can take just two years. In addition, by investing into shares of BR-qualifying companies, the investment will stay in the client's name, enabling them to retain full control of their finances.

Benefits of tax-efficient investments are subject to change and personal circumstances.

Don't invest unless you're prepared to lose all the money you invest. This is a high-risk investment and you are unlikely to be protected if something goes wrong.

Take 2 minutes to learn more on page 4



Meet Patrick

Patrick is currently 80 and in good health. However, he's preparing for the future and has been researching the cost of a private care home. He's lived in the same house for a long time and over the years its value has increased considerably, contributing to an IHT liability. He wants to have access to his funds for a care home when needed and would like to make his investment tax-efficient so that it addresses his IHT liability.

The adviser identifies £250,000 which Patrick could invest, currently held in ISAs. This ISA balance has successfully grown free of Income Tax over the years, but Patrick wants to prevent 40% of that being lost to Inheritance Tax when he dies.

The adviser explains that in order to become up to 100% IHT relievable, the money must be used to invest in a portfolio of shares in one or more BR-qualifying businesses. These can either be unquoted businesses, or businesses listed on the Alternative Investment Market (AIM). However, it is important to note that shares in AIM-listed companies will no longer qualify for 100% relief and will instead receive 50% relief.

The adviser explains to Patrick that moving the ISA balance to the Blackfinch Adapt AIM Portfolios would continue the tax-free income stream and tax-free capital growth as well as being up to 50% IHT relievable if held for two years and at the time of death.

The adviser also explains that there are BR-qualifying solutions available that invest across a range of asset classes. One option would be the Blackfinch Adapt IHT Service which offers more stable returns in comparison to the Blackfinch Adapt AIM Portfolios, and up to 100% exemption. After considering his options, Patrick tells his adviser he would prefer the approach that offers up to 100% BR, while allowing him to retain access to his funds.

Let's explore how Patrick's estate might evolve through two distinct strategies.
It's worth noting that the impact of growth hasn't been considered in these examples.
(Both examples assume the client has exhausted all applicable reliefs):

£250,000
remains in a high-street bank ISA

Patrick chooses to invest **£250,000**
in the Blackfinch Adapt IHT Service

Patrick dies 2 years later

£100,000 Inheritance Tax liability charged at 40%

£0 Inheritance tax liability

£150,000
Value of investment at time of death

£250,000
Value of investment at time of death

Clients must be advised that fees may apply. Please refer to our product literature for further details.

Advantages of BR

Inheritance Tax: Everyone has an allowance of £325,000, known as the nil rate band, which they can leave to beneficiaries free of IHT. If the individual has an estate valued above this amount, it could be subject to IHT at a rate of up to 40%.

Residence Nil Rate Band: Introduced in 2017, the Residence Nil Rate Band (RNRB) is an additional IHT relief that can be claimed against the value of a main residence. The RNRB is currently £175,000. RNRB rates are frozen until 2031 and are only applicable to one home in which the deceased lived and which they owned at some point, and is being passed on to direct descendants (e.g. children or grandchildren). RNRB starts to be reduced where the death estate exceeds a £2m taper threshold.

Supporting the UK Economy: Certain businesses qualify for Business Relief, including shares in many AIM-listed firms. Unlike traditional IHT solutions e.g. gifting, clients' money is invested in assets that are predominantly UK-based.

Transfer by way of gift: If the individual (donor) holds BR-qualifying shares for two years before gifting, and the recipient of the gift still holds the shares at the time of the donor's death, the investment retains IHT relief for the donor, reducing the value of their estate.

Transfer into Trust: If the shares were already held for two years before the transfer into trust, up to £2.5m as of April 2026, the potential lifetime charge to IHT is reduced from 20% to zero.

Business Relief: Since 6 April 2026, a £2.5 million allowance applies to the combined value of assets qualifying for 100% Business Relief (BR) and Agricultural Property Relief (APR). Any qualifying assets above this allowance are taxed at an effective 20% inheritance tax rate rather than being fully exempt. Any unused amount of the £2.5 million allowance is transferable between spouses, including where the first death occurred before 6 April 2026.

Shares in AIM-listed and some EIS companies will no longer qualify for 100% relief and will instead receive 50% relief. However, this does not apply to all EIS investments. Most EIS companies, including all Blackfinch EIS companies, are private unquoted trading companies and so continue to qualify for 100% BR, subject to the new £2.5 million allowance.

Upon death, there are various options:

- Shares can be passed to beneficiaries, who can then retain them. If the original owner held the shares for more than two years, they would immediately qualify for Business Relief in the beneficiaries' estates, subject to the successive transfer criteria being met.
- For Blackfinch Adapt IHT Service, shares can be encashed and distributed to beneficiaries. Alternatively, shares can be encashed, and proceeds paid to HMRC to pay any IHT bill due on the estate (Direct Payment Scheme).

Some BR assets may be able to replace each other, without restarting the two-year 'clock'. Please see the Blackfinch Guide to Business Relief for more information.

Only takes two years to qualify for BR: Shares must be held at the time of death.

For more information, speak to one of the team.

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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