Don't invest unless you're prepared to lose all your money invested. This is a high risk investment. You could lose all the money you invest and are unlikely to be protected if something goes wrong. Take 2 minutes to learn more on page 3

ISA Investing: What About Inheritance Tax?

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Strengthening Client Portfolios

Do you have clients who are yet to invest in their ISA this year? Or are you thinking ahead to the end of the current tax year and the new tax year's subscription? Do your clients currently have an Inheritance Tax (IHT) liability or will they in the future?

These questions are all key to helping your clients manage their money tax efficiently. And they can be covered if you answer another one. Have you thought about getting clients invested in an Alternative Investment Market (AIM) ISA?

By doing so clients could score a hat-trick:

1. Smaller company exposure:
   Not many clients have smaller company investments. Yet these can be a great long-term option. If clients do have them already then they could be best held in an ISA. This is because there's potentially a greater likelihood of substantial capital growth over the longer term. This would make the most of the ISA's tax-free nature.
2. Diversification:
   Although smaller companies are often considered higher-than-average-risk investments, as part of an overall portfolio they can aid diversification.
3. IHT mitigation:
   Clients can build up investments that receive up to 100% IHT relief after just two years (if held at death) as it's expected that they'll qualify for Business Relief (BR).

Tax Benefits of an AIM ISA

You may, however, have clients who don't currently have an IHT liability. But, as above, will they in the future? If they like the thought of smaller company investing, an AIM ISA could be an ideal option. They would be making an investment potentially offering a powerful combination:

- Tax-free growth
- Tax-free income
- Up to 100% IHT exemption via Business Relief

Managing IHT liabilities in ISA Savings

Often the one downside to an ISA is that clients spend years investing and building up their ISA portfolio, only to realise later on, as they get older, that there's an IHT liability. Although the ISA is benefiting from tax-free growth and income, they're likely to lose 40% of the capital in IHT... How annoying!

But it's not too late for these clients either, as they could choose to do an ISA transfer into an AIM ISA portfolio. This retains the tax benefits. And, once again, after they have held it for two years and still do at death, it would also benefit from up to 100% relief from IHT.

An ISA-Friendly IHT Solution

Blackfinch's Adapt AIM ISA Portfolios are available for new or existing ISA transfers. Clients can choose from an Income or Growth portfolio and all investments benefit from our partnership with Chelverton Asset Management. This results in portfolios with a high level of diversification relative to other providers, as we look to avoid commonly held companies.

The Adapt AIM Portfolios and Adapt IHT Portfolios: two strong options to protect savings from IHT

If you would like to find out more about our IHT solutions and how we can support your work with clients, please call us on **01452 717070**, email **enquiries@blackfinch.com** or visit **www.blackfinch.com**.

IMPORTANT INFORMATION

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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).