

# ISA Investing: What About Inheritance Tax?



## 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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