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

BLACKFINCH
INVESTMENTS

Mitigating an IHT Liability Created by ISA Investments

Scenario

Long-term ISA savings can create an Inheritance Tax (IHT) liability for many investors. This needs to be factored into financial planning. Take Stuart, a working professional in his sixties with a wife and three children.

Stuart's wife took a career break to raise their children and he was the sole provider for 15 years. He has used ISAs over decades to build up tax-free savings year on year, now close to £400,000. These sit alongside his pension plan and the family home he and his wife own.

Stuart knows that his combined assets of £1.7 million are well above the current IHT threshold. He also understands that his ISA savings specifically have created an IHT liability. Stuart aims to arrive at a plan to protect his hard-earned savings and mitigate IHT.

Solution

Stuart's adviser introduces him to an IHT solution focused on Business Relief (BR). This can deliver up to 100% IHT relief after two years (and if still held at time of death). The solution invests in BR-qualifying businesses listed on the Alternative Investment Market (AIM).

Stuart learns that AIM-listed shares can be held in an ISA wrapper. This will provide a way to conserve his tax-free savings, mitigate the IHT liability and continue drawing on ISA tax benefits. These include tax-free dividends and no Capital Gains Tax on investment growth.

Steps

Invest: Stuart invests his £400,000 ISA savings in the AIM-focused service, looking to manage a potential IHT liability of £280,000

Use ISA wrapper: Stuart is able to hold his BR-qualifying investments in AIM shares in an ISA wrapper, and continue making use of ISA tax benefits

Mitigate IHT: After two years, Stuart can look to reduce the liability on the amount invested by 40%. He can protect his ISA savings for his family, and a greater proportion of his estate.

On death: Only £300,000 of the total assets will be liable for IHT on death, and the amount saved is £160,000

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).