

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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