BLACKFINCH INVESTMENTS

Protecting Clients’ ISAs for Future Generations

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Please note:

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

Business Relief rules are changing in April 2026. See the Guide to Business Relief for more information.

A haven for savers in a challenging environment

Tax-free growth in an ISA can be extremely beneficial for clients, from childhood to old age. Many clients can accrue hefty sums over their lifetime, with some clients having a collection of ISAs spread across a multitude of different types and providers. It is to older clients that you may need to look as they enter retirement age and beyond. It could be time for them to consider consolidating their savings and simplifying their affairs.

In particular, although these ISAs will remain tax-efficient throughout a client’s lifetime, they represent a potential Inheritance Tax (IHT) liability on death. So, your clients might also wish to do some IHT planning, in order to protect these savings for their loved ones.

The role of Business Relief and the Alternative Investment Market

Fortunately, the UK government also provides another valuable scheme to investors: Business Relief (BR). This relief can reward clients for keeping their money invested in the UK, as investments can be up to 100% free from IHT following investment for two or more years, and if the investment is still held at death. The Alternative Investment Market (AIM) can provide an opportunity for investors to benefit from 50% BR. And as AIM-listed shares can be held in an ISA wrapper, this comes alongside the tax benefits of an ISA, including tax-free growth and income.

Clients with ISAs, who now require IHT planning, could transfer some or all of their current ISA holdings into the Adapt AIM Portfolios. This would allow them to retain the ISA wrapper with some other great benefits: the chance for impressive long-term growth, broader diversification in their portfolio and the potential for 50% IHT exemption after just two years.

Inheritance Tax Planning for more cautious clients

Due to the nature of the AIM market (consisting of smaller companies than those listed on the main stock exchange) an AIM investment can be deemed higher risk. If this is not a good fit for your client's risk profile, another option could be investment in a capital preservation-focused BR-based solution.

The Adapt IHT Service is focused on preserving client wealth and mitigating IHT. It can be particularly useful for clients who are becoming a bit more cautious and wish to begin IHT planning, but also need to retain access to and control of their cash.

The portfolio doesn't benefit from an ISA wrapper...
but don't stop reading yet!

It is very tax-efficient as the only potential tax liability is Capital Gains Tax (CGT) on withdrawals and this amount is often minimal as it is only based on any share price increase. It can either be offset against their annual CGT allowance or taxed at 10/20% if exceeding this. Of course, if left until death, the client would currently benefit from the CGT uplift and therefore there would be no tax payable on the growth.

The Adapt IHT Service has an expected liquidity target of just 2-4 weeks. Even though they do not benefit from an ISA wrapper, they could be a suitable option for those clients whose objectives have moved away from tax-free income and growth to IHT mitigation. After two years, those savings can be protected from the full potential 40% loss of IHT, so they can go to those they were meant for.

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).