



After her husband's death, Caroline wished to consolidate his ISA portfolio with her own and protect its full value from inheritance tax.

KEY POINTS

- ★ **Maintain Tax Efficiency:** ISA funds are free from Capital Gains and Income Tax
- ★ **Retain Control:** Caroline retains full control over her husband's portfolio throughout the transfer
- ★ **Inheritance Tax Free:** Investments are 100% free from IHT after 2 years

THE CLIENT

Amongst the investments Caroline inherited from her husband, Roy, she received his ISA portfolio.

Roy had been a real advocate of tax efficiency and, once they could afford it, he never missed an opportunity to utilise their joint annual ISA allowance. As a result, he had accrued a sizeable ISA portfolio spread across multiple providers. After his death, Caroline was keen to maintain his funds in their tax efficient wrapper.

Initially, Caroline was worried that Roy's ISA portfolio would lose its ISA status (and thus its tax efficiency) and she was concerned it would take several years of using up her own annual ISA allowance to move his sizeable portfolio across to her ISA portfolio.

After speaking with her financial adviser, Caroline was delighted to find out that recently introduced legislation would allow her to transfer the full value of her husband's ISA portfolio into her own ISA account, without losing any of the tax efficiency that she desired.

Her adviser went on to say that if she elected to transfer the value into an AiM portfolio service, after two years the value could also qualify to be free of inheritance tax.

THE SOLUTION

Caroline's financial adviser explained that the legislation allowing her to transfer her husband's ISA portfolio into her own is called the *Additional Permitted Subscription* or APS.

The full ISA portfolio value can be transferred using the APS to a surviving spouse without affecting their annual allowance entitlement and, unlike a pension, there is no cap or value limit (lifetime allowance).

Her financial adviser explained that Roy's portfolio could easily be consolidated with her own ISA holdings. Once consolidated, her adviser recommended investing in the Stellar ESP AiM portfolio service, to maximise her ISA's tax efficiency and qualify for full inheritance tax relief after two years.

RESULTS AFTER THREE YEARS

	Estate without IHT planning	ESP AiM no growth (net)	ESP AiM 3% growth (net)
Gross investment value	£400,000	£400,000	£400,000
0.5% initial fee	-	(£2,000)	(£2,000)
Net investment in ESP AiM	-	£398,000	£398,000
Inheritance tax at 40%	(£160,000)	-	-
Growth in value	-	-	£36,905
Value of inheritance left to beneficiaries	£240,000	£400,000	£434,905

Important Information

Stellar Asset Management Limited does not offer investment or tax advice or make recommendations regarding investments. Prospective investors should ensure that they read the information memorandum and fully understand the risk factors before making any investment decision. This document is dated **January 2018** and is exempt from section 21 of the Financial Services and Markets Act 2000 and is not required to be and has not been approved for the purposes of the section because it is only being communicated to selected Investment Professionals (as defined under article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005). If this document is forwarded to any other person, you must ensure that you have taken responsibility for the document under the financial promotions rules and identified yourself as the issuer. Stellar Asset Management Limited of Kendal House, 1 Conduit Street, London W1S 2XA is authorised and regulated by the Financial Conduct Authority.