

How Simon and Emma protected their estate from IHT to leave a growing legacy to their children.

KEY POINTS

- ★ **IHT Relief:** no liability to inheritance tax after two years.
- ★ **Control:** access to capital maintained throughout.
- ★ **Diversified:** access to a range of trading areas uncorrelated to existing investments.

THE CLIENTS

Simon and Emma are in their seventies and have an estate worth £1m. As a married couple, their nil rate band allowances in respect of Inheritance Tax (IHT) amount to £650,000, meaning that their net estate of £350,000 could leave their family exposed to a potential IHT liability of £140,000.

Simon and Emma want to reduce their children's exposure to IHT, but they have a low risk profile and want to invest in tangible assets that are simple to understand.

OUR SOLUTION

Having spoken to their financial adviser, Simon and Emma are keen to invest in Business Relief qualifying assets to achieve full IHT relief and reduce the liability their children will have to pay.

After considering many different Business Relief options, they chose a portfolio offered by Stellar because it offered diversification from their existing investments and asset-backed security. Stellar ESP Growth invests in a portfolio of easy to understand assets like commercial forestry and hotels. Investments are made in their name, so they retain full access to and control of their capital.

They secured 100% IHT relief for their children after only two years, whilst investing in tangible assets to preserve and grow their legacy.

RESULTS AFTER THREE YEARS

	Estate without IHT planning	ESP Growth
Gross investment value	£350,000	£350,000
1% initial fee	-	(£3,500)
1% dealing fee	-	(£3,500)
Net investment in ESP Growth	-	£343,000
Value of investment after two years	-	£378,158
Inheritance tax at 40%	(£140,000)	-
Value of inheritance left to beneficiaries	£210,000	£378,158

The table illustrates the benefits of this solution and we have assumed that the underlying investments provide growth of 5% per annum. Their children would receive an inheritance of £378,158, over 80% greater than if the capital was kept in cash and therefore subject to 40% IHT.

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.