

Peter and Claire protected their estate from IHT and earmarked assets for their children matched to their individual circumstances.

KEY POINTS

- ★ **IHT Relief:** full relief from inheritance tax relief after two years.
- ★ **Bespoke:** earmark specific legacies for each child.
- ★ **Control:** access to capital maintained throughout.

THE CLIENTS

Peter and Claire are in their late seventies and have an estate worth £2m. 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 £1,350,000 could leave the family exposed to a potential IHT liability of £540,000.

Their financial adviser felt it was important to look not only at Peter and Claire’s finances, but also to discuss their three children’s financial situations. Their eldest son is married with a family of his own, he has retired early and is already considering legacy planning to cover his own circumstances. Their daughter is married, but has no children, and their youngest son has a family and runs his own business.

Peter and Claire wanted to minimise their children’s exposure to IHT, but also sought a solution to earmark assets for each of their children.

OUR SOLUTION

Peter and Claire were recommended an investment in ESP Growth, which gave them the flexibility to set up separate portfolios for each of their children. ESP Growth invests in a diversified range of Business Relief qualifying trades that offer full inheritance tax relief and asset-backed security. Investments are made in the client’s name, so Peter and Claire retained full access to and control of their capital.

Using ESP Growth, Peter and Claire secured 100% relief from IHT after only two years. The flexibility of this service means that each of their children will be able to decide what to do with their own legacy when they inherit. The eldest son, for example, could keep his ESP Growth portfolio as part of his own IHT planning.

RESULTS AFTER THREE YEARS

	Estate without IHT planning	ESP Growth
Gross investment value	£600,000	£600,000
1% initial fee	-	(£6,000)
1% dealing fee	-	(£6,000)
Net investment in ESP Growth	-	£588,000
Value of investment after two years	-	£648,270
Inheritance tax at 40%	(£240,000)	-
Value of inheritance left to beneficiaries	£360,000	£648,270

The table illustrates the benefits of this solution, assuming that the underlying investments provide the target growth of 5% per annum. Each of the three children would receive an ESP Growth portfolio worth £216,090, rather than a cash inheritance of just £120,000. They would then have the option of either encashing their portfolio or using it as part of their own legacy planning.

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