



Maximise ISA Tax Efficiency

A growing proportion of the population is finding that unless they take appropriate action, Inheritance Tax (IHT) will reduce the financial legacy they leave for their loved ones.

IHT is potentially chargeable on an estate worth over £325,000. An estate is the total value of all one's assets including property, investments and cash. IHT is deferred when an estate is left to a spouse or civil partner, but the next beneficiaries will be responsible for settling that IHT.

This can be a problem, particularly if those beneficiaries do not have access to the capital required to pay the liability. While stocks and shares can be sold, other assets – like artwork or property – can have emotional as well as financial value and are less liquid and often harder to sell.

ISAs are not free from IHT

A common misconception is that ISAs are exempt from IHT. This is not usually the case *unless the investments therein qualify for Business Relief*.

Shares held in certain AiM-quoted companies within an ISA qualify for Business Relief and can provide full relief from IHT after two years, in addition to the normal ISA tax benefits.



Important Information

Stellar Asset Management Limited, trading as Stellar, does not offer investment or tax advice or make recommendations regarding investments. Prospective investors should ensure that they read the brochure and fully understand the risk factors before making any investment decision. This document is dated **March 2019** 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.

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While AiM is sometimes perceived as being substantially more volatile than the markets for larger companies, the right portfolio manager can deliver real value for their clients by careful stock selection, thereby potentially offering better capital preservation and the prospect of growth.

ISA consolidation

ISA consolidation can be a very effective planning strategy. It means that you can recommend a client transfer all or part of the value of their combined ISAs into one AiM portfolio.

The benefits of doing so are:

- removal of IHT liability after two years;
- easier to manage; and
- the prospect of continued growth.

Additional Permitted Subscription ISAs

The Additional Permitted Subscription (APS) legislation, which was introduced in April 2015, allows the surviving spouse of a deceased ISA holder to acquire an additional ISA allowance, based on the value of the deceased person's ISA(s) as of the date of birth.

The recent April 2018 update to ISA rules provides an opportunity for additional tax savings. Investors who pass away on or after 6 April 2018, can have their ISA reclassified as a "Continuing ISA," and the APS allowance can be one of two values: either the value of the deceased's ISA(s) as of date of death, or the value when it is closed and stops being a continuing account. This is subject to a cut-off of three years after the date of death. No money can be paid into it from this point onward, but it will continue to benefit from the tax advantages of an ISA, so growth inside the wrapper remains tax-free. This simplifies the tax rules and means that ISAs retain their tax efficiency after an investor has died.

Further information can be found in our [APS Guide](#).

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ESP AIM PORTFOLIO SERVICE

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How we can help

Our estate succession planning (ESP) [ESP AiM Portfolio Service](#) offers all of the above benefits, and returns are completely free of income and capital gains tax if held within an ISA.

Key benefits of ESP AiM include:

- highly diversified portfolio;
- capital preservation focus;
- low fees; and
- 11-year [performance history](#).



Please contact us

For more IHT planning ideas, please visit our [estate planning resources](#) page; and for further information on our range of estate planning services, please visit www.stellar-am.com or call us on **020 3907 6984**.

Investors should note that past performance is not a reliable indicator of future performance and investors should not rely upon past performance when considering whether or not to invest in Stellar ESP AiM.

Investment Manager

Stellar Asset Management Limited

Nominee

Pershing Nominees Limited

Custodian

Credo Capital Limited

Tax Objective

IHT relief after two years

Investment Objective

Capital preservation plus growth

Structure

Discretionary portfolio

Initial Fee

0.5%

Annual Management Fee

0.75% (plus VAT)

Annual Administration Fee

0.25% (plus VAT)

Dealing Fee

1%

Minimum Investment

ISA £20,000

GIA £40,000

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