



## **Stellar Bespoke Inheritance Tax Service**

## Important Notice

**Any individual who is in any doubt about investing in the Stellar Bespoke Inheritance Tax Service should consult an investment adviser that is authorised by the Financial Conduct Authority, or an appropriately qualified taxation adviser.**

This brochure, together with the Stellar Bespoke Inheritance Tax Service Terms and Service Agreement ('Terms') and the corresponding Application Form, constitute a financial promotion in relation to Section 21 of the Financial Services and Markets Act 2000. It is issued by Stellar Asset Management Limited ('Stellar'), Kendal House, 1 Conduit Street, London W1S 2XA, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom (RN: 474710). This brochure is dated 18 December 2020.

It is important that investors and their advisers read the whole brochure and associated documents, including the key risks on page 13, and the service agreement, which is in the Terms. These documents form part of any decision to invest in the Stellar Bespoke Inheritance Tax Service. Nothing in this brochure or any associated documents constitutes investment, legal, tax or other advice by Stellar.

This brochure is provided on a confidential basis. You may not copy, reproduce or further distribute this brochure or any of its content to any other person at any time, nor discuss with any other person the proposal in this brochure without the prior written consent of Stellar.

An investment in the Stellar Bespoke Inheritance Tax Service may expose you to a significant risk of losing all of the money invested. There are significant other risks associated with an investment, which are set out in the Terms.

This brochure should not be communicated outside of the United Kingdom. Significantly, the tax treatment for investors who are based outside of the United Kingdom will differ from that set out in this brochure, and they may not receive the reliefs available to United Kingdom investors.

The information contained in this brochure makes reference to the current laws concerning Business Relief. These levels and bases of relief may be subject to change. The tax reliefs referred to in this brochure are those currently available to certain persons and their value depends on individual circumstances.

Stellar has taken all reasonable care to ensure that all the facts stated in this brochure (as at the date of publication) are true and accurate in all material respects, and that there are no other material facts or opinions that have been omitted, which would make any part of this promotion misleading. However, where information has been obtained from third party sources, Stellar cannot accept responsibility for the completeness or accuracy of that information, and potential investors must form their own opinion as to the reliance they place on that information. Neither delivery of this brochure, nor anything stated within it, should be taken to imply that any information in this brochure is correct as of any date after the date of publication.

No representation is made or assurance given that such statements, views, projections or forecasts are correct or that the objectives of a Stellar Bespoke Company will be achieved. Prospective investors must determine for themselves if such statements, views, projections or forecasts are reasonable and no responsibility is accepted by Stellar or any other person in respect thereof.

Prospective investors will need, and be expected to make, their own independent assessment of an investment in the Stellar Bespoke Inheritance Tax Service and to rely on their own judgement (or that of their independent financial adviser) in respect of any investments they may make through the Stellar Bespoke Inheritance Tax Service and the legal, regulatory, tax and investment consequences and risks of so doing.

**If you have any questions, please consult your adviser or call Stellar on 020 3195 3500. Please note that calls to Stellar may be recorded.**



## Stellar Bespoke Inheritance Tax Service

The Stellar Bespoke Inheritance Tax Service is designed for sophisticated investors who prefer a tailored discretionary investment approach to improve tax-efficiency. The service offers both flexibility and complete control of your estate and succession plan. Both the investment strategy and selection can be tailored to suit your requirements.

The Stellar Bespoke Inheritance Tax Service provides you with access to a range of qualifying business activities, which seek to qualify for a number of tax benefits including Business Relief, which offers 100% relief from inheritance tax.

This brochure will introduce you to Stellar and our range of services. We will provide context to both inheritance tax and Business Relief, how the Stellar Bespoke Inheritance Tax Service operates, and the important information you need in order to make an informed investment decision.

There are three main strategies that you can choose from and you always have the option to further adapt your strategy if your circumstances change in the future.

- ★ **The Discretionary Strategy**
- ★ **The Tailored Strategy**
- ★ **The Hybrid Strategy**

Please see page 9 for more information.

### Key Features



## Welcome to Stellar

'When I founded Stellar in 2007 my objective was to create a wide range of innovative and flexible inheritance tax services which allow investors to retain full control of, and access to, their capital. Rather than locking capital up in trusts and insurance policies, I want to give our investors more choice and the opportunity to retain ownership of their capital throughout their lifetime.

My team has managed tax-efficient services for investors who want to create a lasting legacy for their families since 1991. Drawing on our extensive experience, we have created a diverse range of estate and succession planning services, all of which seek to provide 100% relief from inheritance tax after just two years.

We pride ourselves on our level of knowledge and experience and our track record in developing and managing successful inheritance tax mitigation services.

A commitment to transparency is at the heart of our business - as well as offering real choice, delivering uncapped returns, and providing services which can be tailored to your specific needs.

Our helpful and knowledgeable team is always available to assist with any questions you have, and our website contains a wide range of resources and useful information - to help you learn more about us and the ways in which we can help.

I look forward to working with you.'



Jonathan Gain  
Chief Executive





## About Us

We are the inheritance tax and estate planning specialists, with over three decades of financial services experience.

Our directors have been at the forefront of tax-efficient UK investment since the early 1990s, when they established the tax and property division of a major independent merchant bank. Over the next decade this company became one of the market leading investment houses in the market, with assets under management of some £3.5 billion at its peak.

Drawing on this previous experience, Stellar was formed in 2007, with the aim of helping investors to mitigate inheritance tax. Today we remain an independent firm, which is wholly owned by its directors and staff.

## Our Philosophy and Purpose

Our philosophy is simple. At Stellar, we put you first. We align all we do to produce the outcomes that you require. We strive to be the leading provider of intergenerational inheritance tax services. We work with you to provide services which allow you to retain ownership and control of your capital during your lifetime - as well as offering the potential for uncapped investment returns, and the reassurance that your legacy can be passed to your beneficiaries free from inheritance tax. This is central to our intent, our purpose. It's what drives us in all we do.

## What We Do

The light that we are able to shine on the inheritance tax landscape helps to create a clear pathway to achieving each investor's required outcomes.

We do this by offering a wide range of services that provide you with relief from inheritance tax through a number of qualifying business activities - while ensuring that you continue to own, and have access to, your capital. These services are underpinned by Business Relief, a longstanding government legislation which seeks to provide you with 100% relief from inheritance tax after two years.

The business activities in which we invest are tailored to suit different objectives, and currently include Commercial Forestry, Hotels, Bridging Finance, Care Homes, Leisure Assets and Commercial and Residential Property Development - as well as AiM portfolio services, which are also available via an Individual Savings Account (ISA).

We are focused solely on services for inheritance tax mitigation, and our clients include individuals, trustees, business owners and those with Lasting Powers of Attorney. Our inheritance tax services are designed to create the right balance of flexibility and control - providing you with confidence and reassurance, today and in the future.

## Why We Are Different



### Diversified

Our qualifying business activities are diversified across a range of sectors, to ensure that the risk is spread. Each service is further diversified geographically across the UK.



### Focused

Our core focus is wealth preservation across all of our inheritance tax services. We then seek to achieve cautious medium-term growth.



### Transparent

We pride ourselves on being transparent because we fully disclose all our fees. Each service has its own clearly defined investment strategy, and we report regularly on how your portfolio is performing.



### Range

We offer a range of services that provide relief from inheritance tax through a number of qualifying business activities - while ensuring that you continue to own, have control of and access to, your capital.



### Professional

We take the responsibility of looking after your legacy seriously - thoroughly researching our chosen activities and each individual investment opportunity. We always employ professional legal and taxation advisers.



### Heritage

Drawing on experience gained over 20+ years in the industry, our team has created inheritance tax planning services for investors who wish to leave a lasting legacy for their beneficiaries.



## Introduction to Inheritance Tax and Business Relief

### Inheritance Tax

This is charged on the value of everything you own after your death, in excess of the Nil Rate Band (NRB) - which is a tax-free allowance, currently set at £325,000 per individual and £650,000 for married couples and civil partners.

Legislation introduced in 2016 offered qualifying estates an additional tax-free allowance known as the Residential Nil Rate Band (RNRB), which was phased in over four years and now provides a further £175,000 per individual on top of the standard NRB. However, there are limitations on which estates are entitled to this additional threshold, and the relief is tapered for estates valued at over £2 million.

Any value in excess of the NRB, and the RNRB if relevant, is taxed at 40% - and the nature of this tax means that your beneficiaries are left to pay the bill. Added to this, rising house prices mean that more families than ever before are falling into the inheritance tax trap - **which underlines the importance of careful inheritance tax planning.**

### Business Relief

Traditional inheritance tax planning strategies can help to reduce the final bill that your family will need to pay. However, in many cases it takes seven years before the assets which you pass on are entirely exempt from inheritance tax, and this usually involves a transfer of those assets during your lifetime. But there is an alternative, which takes advantage of something called Business Relief.

This was introduced in 1976 to allow a business owner to pass on their business to family members, without incurring inheritance tax. Our inheritance tax services seek to operate within this robust legislation.

Details of further tax reliefs which may be available are provided on page 19.

**Further details regarding tax are provided in the Terms. Prospective investors should also seek independent tax advice prior to subscribing to the Stellar Bespoke Inheritance Tax Service.**

## Stellar Bespoke Inheritance Tax Service

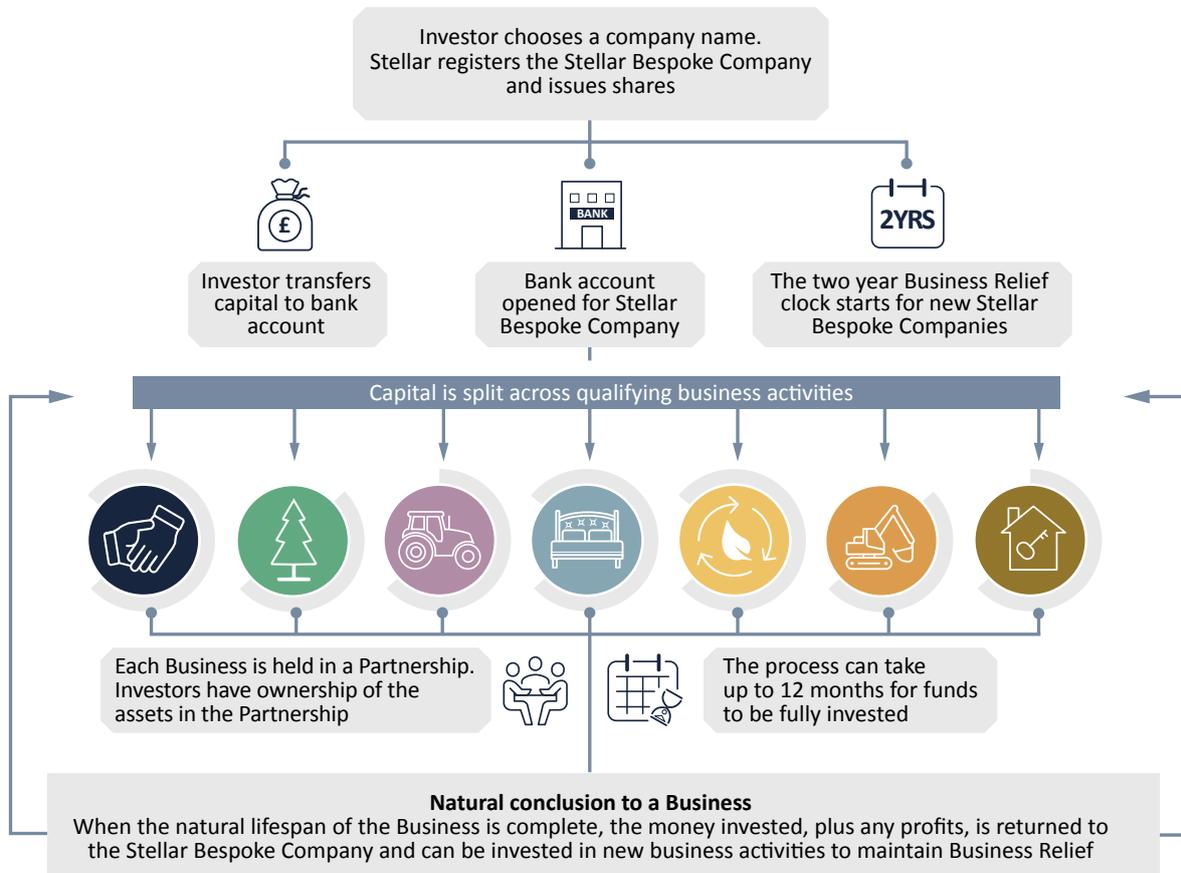
**Our inheritance tax services are backed by Business Relief legislation, meaning that you should be able to pass capital to your beneficiaries with 100% inheritance tax relief, whilst also keeping complete control of your capital - as long as you have held the shares for at least two years, and at the time of death.**

The Stellar Bespoke Inheritance Tax Service is a discretionary managed portfolio which provides you with access to a range of investment sectors that offer security and diversification. It has also been designed to provide capital growth, in addition to relief from inheritance tax as described above.

This service is structured differently from other estate planning portfolios, because when you invest with us, we incorporate a trading company ('Stellar Bespoke Company') in your name and you are the sole shareholder. Once you have chosen a name for your Stellar Bespoke Company, we will then incorporate it and issue shares in accordance with your wishes, then the two year qualification period for Business Relief begins.

We will also operate a bank account, and your subscription will be transferred to this account. Please note that there is a minimum subscription amount for shares of £1,000,000, but no upper limit. From here, we will commit your Stellar Bespoke Company to a range of qualifying business activities in accordance with your wishes. We expect to be fully invested within 12 months.

## How your Stellar Bespoke Company works





There are three strategies that you can choose from and you always have the option to further adapt your strategy if your circumstances change in the future.

★ **The Discretionary Strategy**

You choose the investment sectors and we select the underlying investments. This strategy is designed for investors who want to leave a legacy without committing time to sourcing their own investments.

★ **The Tailored Strategy**

You choose the assets to invest in. Designed for investors who want complete control of their portfolio.

★ **The Hybrid Strategy**

A blend of both the discretionary and tailored strategies. Designed for investors who are happy for Stellar to choose some investments but also want to add their own choices.

## Target Return

We aim to generate a target return of between 3% to 5% per annum for your Stellar Bespoke Company from our range of qualifying business activities. You are able to select which of these activities you wish your Stellar Bespoke Company to participate in. This choice will affect your target return. Please note that this is a target only and is not guaranteed. The target return is quoted before the effect of any adviser charges which will, if paid, reduce the target return.

Please refer to the Terms to see how adviser charges may reduce your target return.

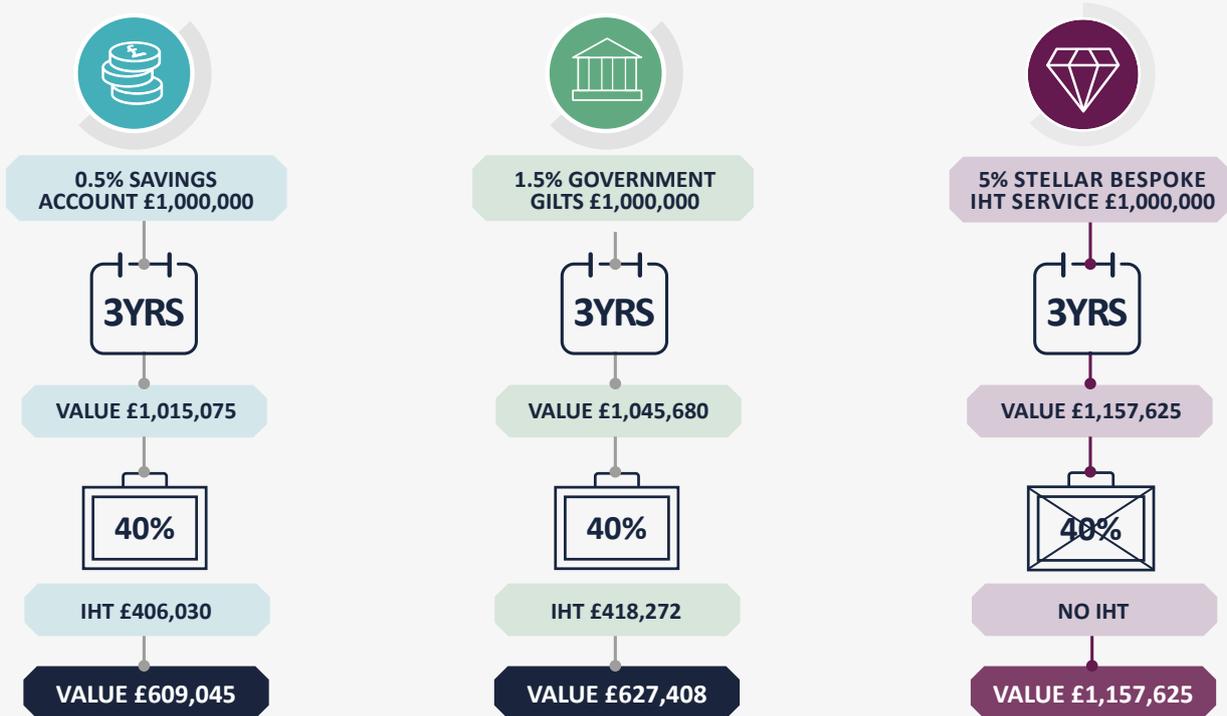
## Intergenerational Planning

The Stellar Bespoke Inheritance Tax Service allows you to pass family wealth to your beneficiaries without ceding control during your lifetime. Once inherited, your beneficiaries may wish to consider how they can best manage their affairs tax efficiently, and this could well include their estate planning needs.

Families are deliberately establishing estate planning strategies that can be maintained by successive generations, without the need for complex trusts, to provide the next generation with full control of their capital.

## Performance Comparison

The Stellar Bespoke Inheritance Tax Service is carefully designed to provide real returns during your lifetime, as well as a tax-efficient legacy for your beneficiaries. This graphic compares the three year projected performance of a savings account and government gilts with the Stellar Bespoke Inheritance Tax Service.



### Notes:

- ★ The Stellar Bespoke Inheritance Tax Service is higher risk than saving accounts and government gilts.
- ★ After two years, a holding in the Stellar Bespoke Inheritance Tax Service should attract 100% relief from IHT, provided the initial investment is held at the point of death.
- ★ Please note the target is between 3% and 5% depending on the investment sectors selected - please refer to page 9.
- ★ All returns are calculated using annual compounding and rounded to the nearest whole pound where applicable.

## Our Investment Sectors

We choose to invest in a diverse range of qualifying business activities, all of which are underpinned by physical assets. Capital preservation is the focal point of our strategy because we believe this helps to reduce risk. Your capital will be employed in qualifying business activities to enable it to benefit from Business Relief.

All of the qualifying business activities offered through the Stellar Bespoke Inheritance Tax Service are carefully selected to ensure that they:

- ★ Qualify for Business Relief, and therefore full inheritance tax relief, after two years
- ★ Are asset-backed to offer a high level of security
- ★ Are uncorrelated to equities, gilts and bonds to provide you with investment diversification
- ★ Can provide a return, after fees, of between 3% and 5% per annum over the medium-term

These qualifying business activities are secure, because you will own both the land and either the crops growing on it, or the bricks and mortar. Where your capital is used for short-term lending purposes, such as bridging finance or development finance, it is secured against assets.

We employ specialist asset managers with extensive expertise in each of these sectors – and this careful and efficient management means that we seek to deliver its target returns, to maximise your investment potential.

We continually source and develop new sectors, to ensure you can benefit from diversification in areas that provide a high level of security. In addition, we do not place caps on performance, so your interests are fully aligned with those of our asset managers.

Please refer to our Investment Sector Guides, which can be found on our website, for further details and examples of the sectors in which your Stellar Bespoke Company may participate.



Our qualifying business activities are **secure**, because **you will own** both the land and either the crops growing on it, or the bricks and mortar.

## Earmarking Assets

By using a single Stellar Bespoke Company with multiple share classes or multiple Stellar Bespoke Companies, you can earmark assets for all of your beneficiaries or each specific beneficiary - it's your choice.

Multiple share classes of a single Stellar Bespoke Company could also be established to accommodate multiple family members and any complex legacy planning requirements of beneficiaries.

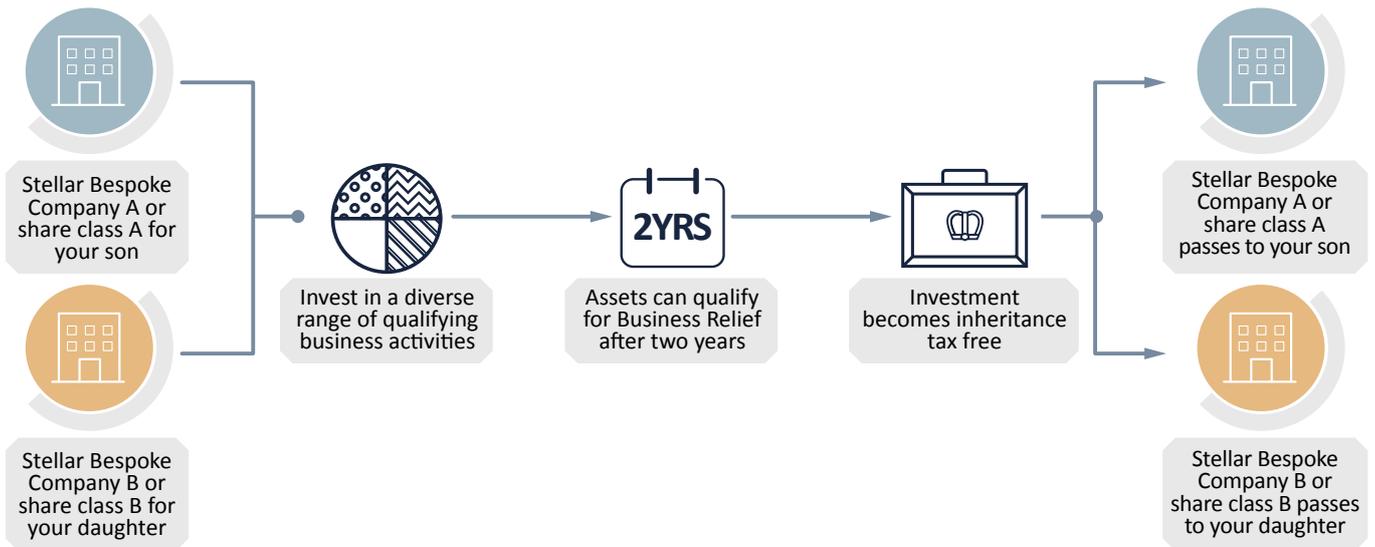
Creating separate companies or separate share classes allows you to leave specific shares to each beneficiary, for example each of your children, which they can then maintain when they inherit.

This strategy does not affect access to your investment or capital during your lifetime.

The benefits of creating separate Companies or separate share classes are as follows:

- ★ A ring-fenced inheritance for each beneficiary
- ★ A tailored investment strategy for each company
- ★ A flexible inheritance for each beneficiary

You can specify whether you would like your Stellar Bespoke Companies or share classes to invest identically or for each to follow a separate approach. This affords you the opportunity to tailor an investment strategy to each beneficiary's needs and risk appetite.



Following inheritance, each beneficiary can continue trading, and after two further years their Company should also be free from inheritance tax.

In addition, Stellar Bespoke Companies can be placed in trust and also administered using a Power of Attorney.



## Key Risks

The key risks associated with the Stellar Bespoke Inheritance Tax Service are outlined here - please refer to the Terms for a full list.

### **Your capital is at risk**

The value of your Stellar Bespoke Company, and any income derived from it, may go down as well as up and you may not get back the full amount you invested.

### **Qualifying business activities are not guaranteed**

There is no guarantee that sufficient investments in qualifying business activities will be made within the expected timetable, or at all. In addition, qualifying business activities may subsequently cease to qualify for Business Relief. In such cases, Business Relief could be lost or delayed.

### **Target returns are not guaranteed and you cannot rely on past performance**

Please remember that past performance is not a reliable indicator to future performance, and there is no guarantee the target return objectives will be met.

### **Tax reliefs are not guaranteed**

The rates of tax, tax benefits and tax allowances described in this brochure are based on current legislation and HMRC practice. They are not guaranteed, are subject to change, and depend on personal circumstances. In addition, any changes to what constitutes a qualifying business activity may have a material adverse effect on the value of the Businesses or the ability of Stellar to achieve the objectives of the Stellar Bespoke Inheritance Tax Service.

### **Investments are long-term and high risk**

Investments must be held for at least two years, and held at death, to benefit from Business Relief. Although you can request a withdrawal from your Stellar Bespoke Company, there may be a delay because the interests in the Businesses are not liquid. Exits are reviewed quarterly and there is no guarantee that an exit will be possible. Such interests are also considered to be higher risk than securities listed on the London Stock Exchange.

### **Conflicts of interest**

Instances may arise where the interests of one group of investors will present a conflict with the interests of another group, or an interest of Stellar. In the event of a conflict, Stellar's investment committee will work to ensure that this is resolved fairly and in accordance with its conflict policy.

**If you have any questions, please consult your adviser or call Stellar on 020 3195 3500. Please note that calls to Stellar may be recorded.**



Fees and Charges	
Initial Subscription Fee	1.5%
Dealing Fee	1.5%
Management Fee	1% plus VAT
Administration Fee	0.5% plus VAT
Performance Fee	20% of excess above target return
Exit Fee (where applicable)	2% plus VAT

The initial subscription fee is a charge to your Stellar Bespoke Company, and is 1.5% of the subscription amount. For example, if £1,000,000 was subscribed for shares in your Stellar Bespoke Company, the initial fee would be £15,000. This is invoiced to your Stellar Bespoke Company. The remaining funds (in this example £985,000) can be committed to Businesses. Currently VAT is not payable on initial fees.

Stellar will review your circumstances to determine how to structure a solution for you within the Stellar Bespoke Inheritance Tax Service. We will use our expertise and specialist tax advisers where necessary to seek the most tax efficient solution for you. There is a consultancy fee of up to 2% of the amount invested to cover this work which will be agreed with you following an initial meeting/review.

Each time your Stellar Bespoke Company commits capital to a Business, a dealing fee of 1.5% of the amount committed is payable by the Business.

The management fee is payable by the Businesses. It is 1% (plus VAT) per annum, and is calculated on the value of each Business at the end of each quarter.

The administration fee is payable by your Stellar Bespoke Company if Stellar provides administrative services to your Stellar Bespoke Company. This fee is 0.5% (plus VAT) per annum, and is calculated on the net asset value of your Stellar Bespoke Company at the end of each quarter.

There is an exit fee of 2% (plus VAT) of the amounts realised, and this is payable from the amounts realised. An exit fee does not apply if you are withdrawing the proceeds from the natural end of a Business out of your Stellar Bespoke Company.

Whilst the Businesses in which Stellar invests are tangible, asset-backed and lower risk, an opportunity still exists for strong performance arising from effective asset management. Your Stellar Bespoke Company will benefit from this out-performance, subject to a performance fee which is equivalent to 20% of the excess above the target, which is payable to Stellar. Further details regarding the timing and calculation of fees can be found in the Terms.

We are able to facilitate both initial and ongoing adviser charges from your Stellar Bespoke Company. You and your financial adviser will need to complete the relevant section of the Application Form.

### Example of the Performance Fee in operation

Business return (p.a.)	Performance fee hurdle	Excess	Share of excess (Investor)	Share of excess (Stellar)	Investor net return
5%	4%	1%	0.8%	0.2%	4.8%

Notes:

- ★ The performance fee example above is based on a target return of 4%. the target return could be between 3% to 5%
- ★ The performance fee is only charged on Businesses which provide a return in excess of the target return - in this case 4%

## Access to Capital

One of the distinguishing features of the Stellar Bespoke Inheritance Tax Service is that, unlike some inheritance tax planning, you retain ownership and control of, and access to, your capital. At some point in the future you may wish to access your capital, and likewise - whilst your beneficiaries may maintain your Stellar Bespoke Company for future generations - they may also wish to access some or all of the capital. It is therefore important that you understand how capital can be accessed, and the timeframes which may be applicable.

Your funds are invested in a Stellar Bespoke Company that is owned by you, and this permits greater control over what it does. Your Stellar Bespoke Company invests in Businesses, to enable it to undertake qualifying activities that enable you to benefit from Business Relief after two years.

Subscriptions through the Stellar Bespoke Inheritance Tax Service are illiquid investments. However, where possible Stellar will try to provide liquidity through the following mechanisms:

- ★ Transferring interests in Businesses from one Stellar Bespoke Company to another, through a 'matched bargain' basis - where there is demand and where applicable
- ★ Distributing cash available in your Stellar Bespoke Company
- ★ Dissolution of the Stellar Bespoke Company



One of the **distinguishing features** of the Stellar Bespoke Inheritance Tax Service is that, unlike some inheritance tax planning, **you retain ownership and control** of, and access to, your capital.



## Accessing the funds committed to Businesses

### Matched bargain basis

If a Stellar Bespoke Company is seeking to liquidate its interests in Businesses, and another Stellar Bespoke Company is seeking to commit capital to Businesses to obtain Business Relief, it may be in the best interests of all investors to transfer the interest from one Stellar Bespoke Company to another.

Interests can only be transferred at quarter ends - March, June, September and December - where all documentation has been provided to Stellar at least 15 days prior to the quarter end. The Businesses are valued at each quarter end to provide a value for any such transfers. If there is no transfer available at the next quarter end, then the interests will be carried forward to the next quarter end. Following transfers at quarter end dates, your Stellar Bespoke Company should receive proceeds within six weeks.

### Natural conclusion to Businesses

Each Business has a natural life, following which all capital and any profits will be returned to the Stellar Bespoke Companies, and any successors. If Stellar is unable to find new Stellar Bespoke Companies to transfer the interests in Businesses to, then the natural life of the Business will dictate the timing of the returns from that Business.

### Accessing funds in your Stellar Bespoke Company

Cash can accumulate in your Stellar Bespoke Company. Any available cash from time to time can be returned by reducing the capital. Up to 90% of the Net Asset Value (NAV) can be returned through a reduction in capital. Approximately 10% of the NAV of your Stellar Bespoke Company has to be retained to cover corporation tax and any other obligations of your Stellar Bespoke Company during the dissolution of the Stellar Bespoke Company.

### Share capital reduction

Under the Companies Act it is possible to access the majority of the available cash in your Stellar Bespoke Company. Written consent is required to make a share capital reduction, and the forms will be provided by Stellar. You should allow four to six weeks following the completion of the relevant forms. This includes time to lodge various documents at Companies House to enable the reduction of capital. In some cases, HMRC approval may be required, which may make the process longer. Stellar reserves the right to charge a fee of up to 2% (plus VAT) of the sums for the work involved.

### Dissolution of your Stellar Bespoke Company

A Stellar Bespoke Company can be dissolved, and this is a procedure under the Companies Act. The Stellar Bespoke Company needs to stop trading by disposing of all of its interests in Businesses as described above. A written resolution is required, and Stellar will supply the forms. Application is made to HMRC to treat the proceeds of dissolution as capital, and the process can take up to six months - but Stellar will try to complete this in three months where possible. These timescales commence when you have completed the necessary paperwork as directed by Stellar. An exit fee of up to 2% (plus VAT) of the sums involved is payable to Stellar.

If you withdraw funds from your Stellar Bespoke Company, Business Relief is likely to be lost and inheritance tax may be payable. Please consult your adviser before making any investment decisions.

**Further details on the structure of the Stellar Bespoke Inheritance Tax Service, and accessing your capital, are provided in the Terms. If you have any further questions please speak to your adviser or call Stellar on 020 3195 3500. Please note that calls to Stellar may be recorded.**



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