

Bespoke legacy planning | Discretionary Strategy Case Study

Meet Marjorie and Sam

“We want to protect part of our estate from IHT to leave a growing legacy for our children.”



The clients

Marjorie and Sam have been clients of their adviser, Bill, for over five years. They are a couple in their seventies and have an estate of approximately £40 million. They have recently sold a commercial property and have £3 million to invest and are seeking to reduce their three childrens' exposure to IHT whilst investing in assets that are socially responsible.

They were seeking a bespoke service where they invested specifically in their own projects and have the flexibility to amend the investment over time. They already have an AIM portfolio with Stellar which attracts relief from IHT because they have owned their portfolio for more than two years.

Our solution

With Bill's help, Marjorie and Sam are keen to invest in Business Relief (BR) qualifying assets seeking to achieve 100% relief from IHT after two years.

After considering a range of BR options, Bill selects the Stellar Bespoke IHT Service because it allows a bespoke solution to structuring the investment and selecting qualifying activities that suit their needs. The couple invest in three different companies, one for each of their children. This means that each of their children will

inherit a company which may be used for their own estate planning.

They are aware of the need in the UK for further housing and as a result they choose to focus on residential property development for each of the three companies established through the Stellar Bespoke IHT Service.

They are on track to secure 100% relief from IHT for their children after two years, whilst investing in tangible assets seeking to preserve and grow their legacy.

The following table illustrates the benefits of investing £1 million for each of their children sought from the Stellar Bespoke IHT solution. We have assumed the underlying investments provide growth of 4% per annum after fees.

Results after two years	£1 million without IHT planning	Stellar Bespoke IHT Service
Gross investment value	£1,000,000	£1,000,000
Initial fee 1.5%	---	(£15,000)
Consultancy fee up to 2.0%	---	(£20,000)
Net investment	---	£965,000
Growth in value after two years	---	£78,744
Inheritance tax at 40%	(£400,000)	---
Value of inheritance to each child	£600,000	£1,043,744

Important Information

Stellar Asset Management Limited does not offer investment or tax advice or make recommendations regarding investments. Capital is at risk. The rates of tax, tax benefits and tax allowances described are based on current legislation and HMRC practice. They are not guaranteed, are subject to change and depend on personal circumstances. This document is dated March 2021 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.