

CASE STUDY

# Combining Business Relief and trusts for Estate Planning



## Overview

Richard and Jennifer invested in Business Relief qualifying assets. After two years they can decide whether to transfer to a trust without paying a 20% chargeable lifetime transfer (CLT).

**The Stellar ITS**  
*For investment professionals only*

# Meet Richard and Jennifer

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Richard and Jennifer are in their sixties, and their financial adviser has recommended that they start to consider inheritance tax (IHT) planning to maximise their children's inheritance.

Their adviser informs them that their estate is worth £3 million, which would mean a significant IHT liability of £940,000 after their nil-rate bands have been deducted.

Initially they were looking at trust based planning, but they were dissuaded by the 20% CLT for trusts over £325,000. They were considering gifting £1 million to a Trust, which would have meant an upfront charge of £200,000. Their priority is wealth preservation, and they ideally want to avoid paying a 20% tax charge; especially as there is a possibility that their beneficiaries would have to pay further tax on their estate.

Further tax would be due if Richard and Jennifer are not able to survive the seven years required for gifts to be free from IHT.

Their adviser suggested that if they were to invest their capital in Business Relief (BR) qualifying activities for two years, they could then review the situation and decide whether they wish to transfer their qualifying assets into a trust without being liable to the CLT charge. They are aware that they can continue to hold the assets free from IHT outside a Trust and retain ownership, access and control during their lifetimes.



## Our Solution

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Stellar is a specialist in BR solutions and offers a range of services that allow investors to invest their capital into qualifying business assets. Richard and Jennifer chose to invest in The Stellar ITS, because Stellar seeks wealth

preservation and capital growth. The target net capital growth is higher than other BR providers and The Stellar ITS offers greater diversification of asset classes, offering security for their investment.



## Key Features

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### No CLT

No need to pay 20% Chargeable Lifetime Transfer (CLT) tax.



### IHT Relief

Investments should qualify for 100% relief from IHT after two years.



### Control

Clients retain ownership of their capital so they keep control.



## Trusts, Business Relief and CLTs

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Trusts may be subject to CLT with a 20% upfront charge. However, if the investment is held in BR-qualifying business activities for two years prior to being transferred into a trust there is no CLT.



### Important Information

**Risk warning:** Your capital is at risk. Investments can fall as well as rise and investors may not get back the full amount invested. Investments in unquoted companies are less liquid and are higher risk than larger companies. 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. Please refer to the latest product literature before investing; your attention is drawn to the risks and fees contained therein.

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# Get in touch

We're here to help

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## Investors

We recommend you speak to a Financial Adviser in the first instance, as we cannot offer investment or tax advice.

If you have any other questions please contact us on 020 3195 3500 or email us at [enquiries@stellar-am.com](mailto:enquiries@stellar-am.com)

For further information, please visit [www.stellar-am.com](http://www.stellar-am.com)

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