

CASE STUDY

# Using ITS to establish a Discretionary Trust



## Overview

Learn how Helen optimised her estate planning strategy to minimise inheritance tax liabilities using The Stellar ITS.

*For investment professionals only*

# Meet Helen

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Helen is in her mid-60s with an estate worth more than £6m.

She is a widow and has previously made gifts into discretionary trusts (for her children) utilising the total nil rate band allowance of £325,000 which was completed just over two years ago. She has recently received a large inheritance and is looking to place a further £1m into discretionary trust arrangements with the intention of:

- ★ Protect more of her capital from tax and IHT
- ★ Putting more into trust
- ★ Control of the funds in the trust of her capital
- ★ Minimise investment risk

Her financial adviser discussed the option of placing more funds directly into a discretionary trust, but Helen did not like paying 20% (£200,000) for the privilege of doing so.





## The Solution

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Helen's financial adviser also talked about the option of arranging an asset backed business relief solution to run for a minimum of two years which then can be placed into a discretionary trust which would be a zero Chargeable Lifetime Transfer and therefore not incur the £200,000 charge.

After further discussion they settled on using The Stellar ITS as this gave Helen:

**Control of her capital**

**The ability to wrap into a Discretionary Trust after two years**

**An investment into a wide range of business activities**

**To have the whole value at a zero IHT rate of tax after two years**

Helen's adviser talked about the method that she considers when wrapping this Business Relief arrangement into a trust after two years.

The adviser recommended that Helen gave instructions to the Trustees to hold the Business Relief unchanged in the trust for either seven years to protect against IHT in the event of Helen dying in the first seven years or for ten years to mitigate the associated periodic charge.

This was done on the basis that this instruction would guide the trustees to take the settlor's wishes into account before reverting to the needs of the beneficiaries.

By Helen taking the route of investing into The Stellar ITS to be wrapped into a discretionary trust, then she has achieved:

- ★ A reduction in Helen's chargeable lifetime transfer saving of £200,000
- ★ Helen's IHT plan achieved, albeit by a different method
- ★ Helen's IHT saving of up to £400,000
- ★ Possible periodic charge and exit charge savings

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### 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)

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