

Legacy planning using tangible assets

How Simon and Emma protected their estate from IHT to leave a growing legacy to their children- with help from their financial adviser.

The Clients

Simon and Emma are in their seventies and have an estate worth £1 million. As a married couple, their nil-rate band (NRB) allowances in respect of inheritance tax (IHT) amount to £650,000, meaning that their net estate of £350,000 could leave their family exposed to a potential IHT liability of £140,000.

Simon and Emma want to reduce their children's exposure to IHT, and they want to invest in tangible assets that are simple to understand.

Our Solution

Having spoken to their financial adviser, Simon and Emma are keen to invest in Business Relief (BR) qualifying activities to achieve full IHT relief and reduce the liability their children will have to pay.

After considering many different BR options, their adviser recommended a service offered by Stellar which provided diversification from their existing investments and was asset-backed. The Stellar Growth Inheritance Tax Service invests in a portfolio of easy to understand assets like commercial forestry and hotels. Investments are made in their name, so they retain ownership of, access to, and control of their capital.

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

Key Features



IHT Relief

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



Control

Clients retain ownership of their capital so they keep control.



Diversified

Access to a range of qualifying business activities.

The table below illustrates the benefits sought from this solution, and we have assumed that the underlying investments provide growth of 5% per annum after annual fees - their children should receive an inheritance of £374,299, over 75% greater than if the capital was kept in cash and subject to 40% IHT.

Results After Two Years

	Estate without IHT planning	Stellar Growth IHT Service
Gross investment value	£350,000	£350,000
Initial 1.5% fee	-	(£5,250)
1.5% dealing fee	-	(£5,250)
Net investment	-	£339,500
Growth in value after three years	-	£34,799
Inheritance tax at 40%	(£140,000)	-
Value of inheritance left to beneficiaries	£210,000	£374,299

stellar-am.com

Important Information

Stellar Asset Management Limited does not offer investment or tax advice or make recommendations regarding investments. Capital is at risk. Investments in unquoted companies are less liquid and are higher 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 10th September 2020 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.