



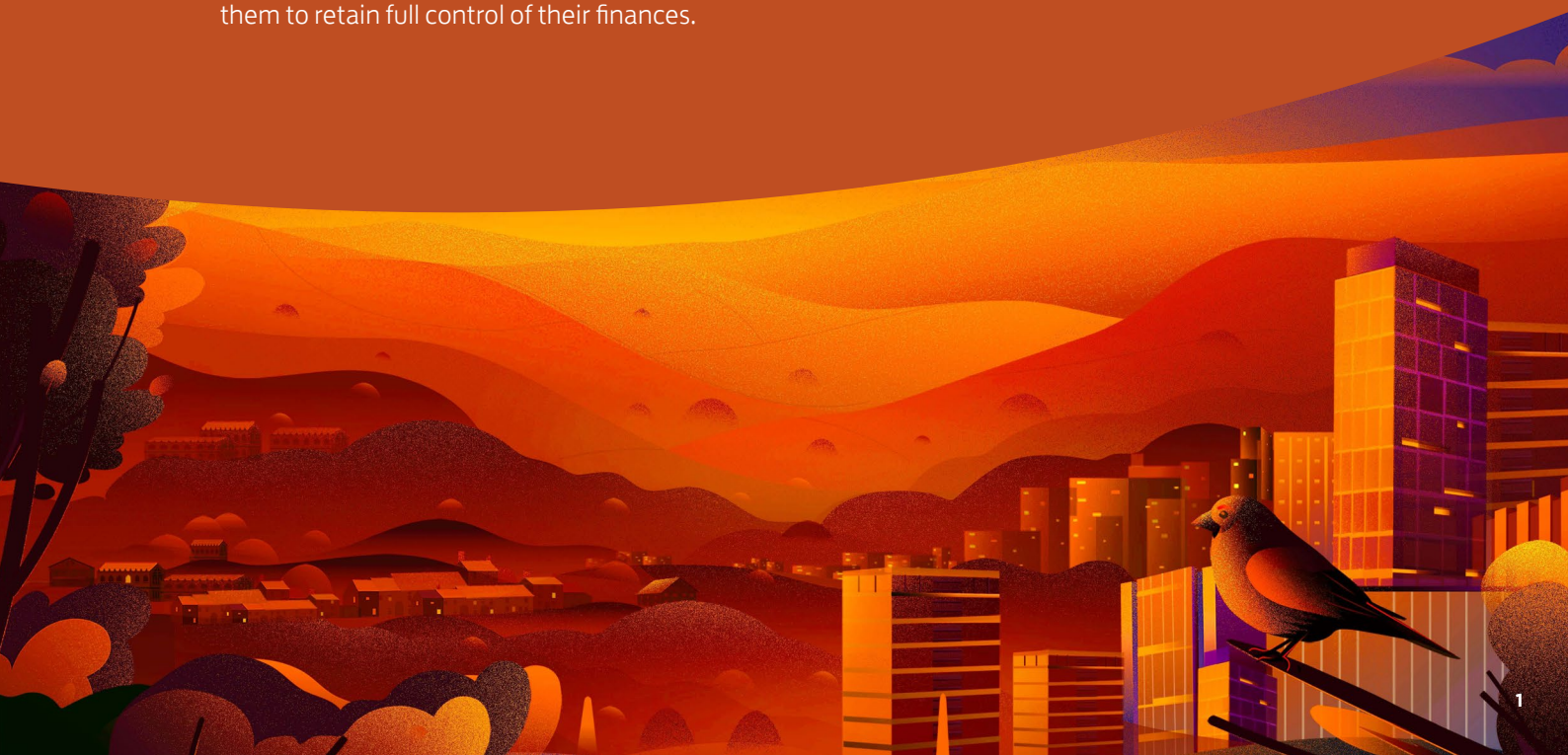
Long term care planning

Elderly clients looking to keep access and control

As we age, naturally we begin to think about the possible future costs of care. Whilst none of us know what care we might need, for some clients there is reassurance to be gained from knowing that they can access their money as personal circumstances change.

Clients may also be worried about the size of an Inheritance Tax (IHT) liability that could have accumulated against the value of their estate. They may feel that to mitigate the IHT they will have to compromise on having access to their funds.

This worry often stems from the more commonly understood rule that gifts and trusts take 7 years to become 100% IHT relievable. However, the good news is that an investment that qualifies for Business Relief (BR) can take just two years. In addition, by investing into shares of BR-qualifying companies, the investment will stay in the client's name and enables them to retain full control of their finances.





Meet Patrick

Patrick is currently 80 and in good health. However, he's preparing for the future and has been researching the cost of a private care home. He's lived in the same house for a long time and over the years its value has increased considerably, contributing to an IHT liability. He wants to have access to his funds for a care home when needed and would like to make his investment tax-efficient so that it addresses his IHT liability.

The adviser identifies £250,000 which Patrick could invest, currently sat in ISAs. This ISA balance has successfully grown free of Income Tax over the years, but Patrick wants to prevent 40% of that being lost to Inheritance Tax when he dies.

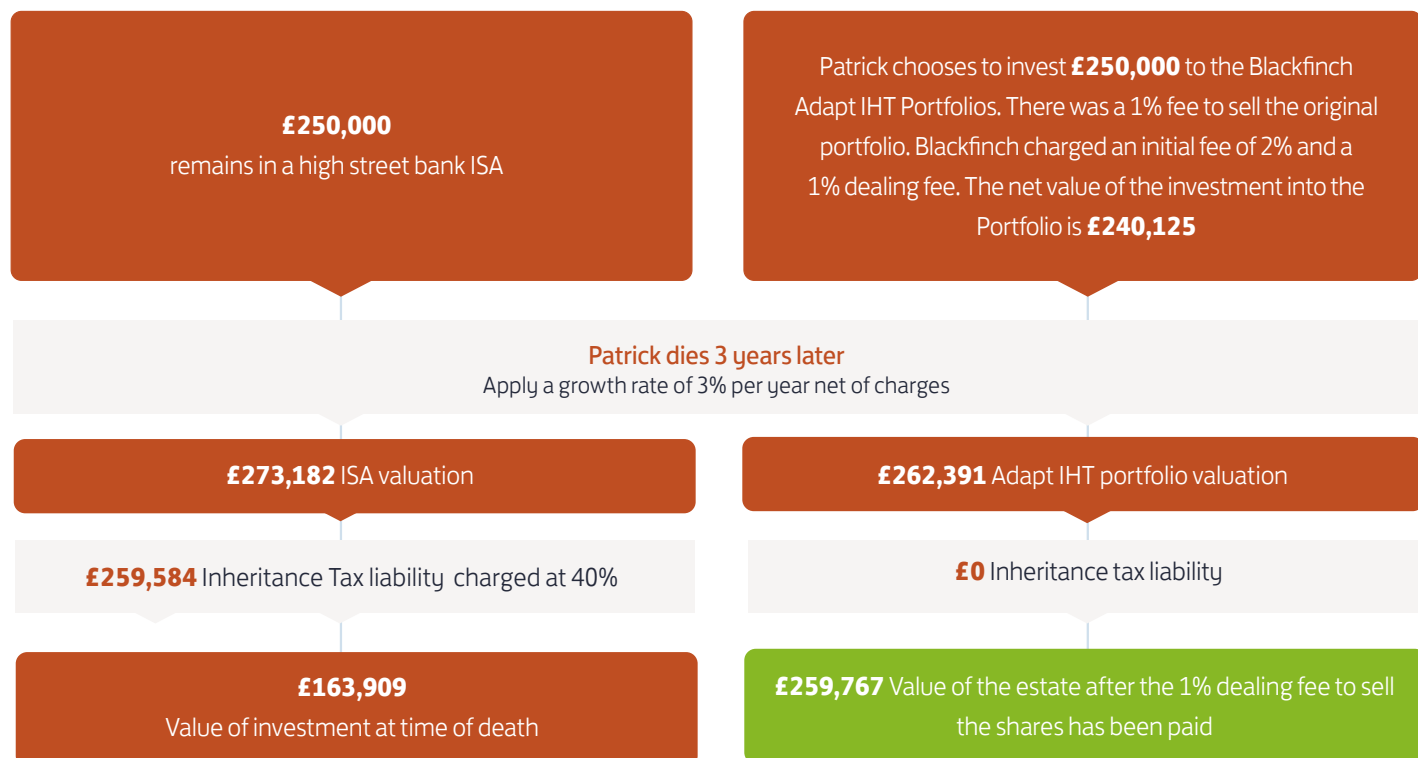
The adviser explains that in order to become 100% IHT relivable, the money must be used to buy a share portfolio investing in one or more BR-qualifying businesses. These can either be unquoted businesses, or businesses listed on the Alternative Investment Market (AIM).

The adviser explains to Patrick that moving the ISA balance to the Blackfinch Adapt AIM Portfolios would continue the

tax-free income stream and tax-free capital growth as well as being 100% IHT relivable within 2 years if held at the time of death. He explains the AIM Market is higher risk as it invests in growing businesses but it has potential for high returns.

The adviser also explains that there are BR-qualifying portfolios available which invest in renewable energy projects in the UK. These would be available through the Blackfinch Adapt IHT portfolios which offer more stable returns in comparison to the Blackfinch Adapt AIM Portfolios. After considering his options, Patrick tells his adviser that he is most interested in investing in renewable energy and would prefer the relatively lower risk option as well as protect the access to his funds.

Let's look at how Patrick's estate could change, using two different strategies:



Clients must be advised that annual management charges (AMC) may apply. For Adapt IHT, the AMC (0.5% + VAT) only applies when returns exceed the target return of 3-5% (dependent on the target return selected).

Advantages of BR

Inheritance Tax

Everyone has an allowance of £325,000, known as the nil rate band, which they can leave to beneficiaries free of Inheritance Tax (IHT). If the individual has an estate valued above this amount, it could be subject to IHT at a rate of up to 40%.

Residence Nil Rate Band

Introduced in 2017, the Residence Nil Rate Band (RNRB) is an additional IHT relief that can be claimed against the value of a main residence. The RNRB is currently £175,000. RNRB rates are frozen until 2025/6 and are only applicable if the property is the deceased's main residence and is being passed on to direct descendants (children or grandchildren). RNRB starts to be withdrawn where the death estate exceeds a £2m taper threshold.

Supporting the UK Economy

Certain businesses qualify for Business Relief, including shares in many AIM-listed firms. Unlike traditional IHT solutions, which can invest globally, clients' money is only invested in BR-qualifying UK-based firms.



Can help preserve a family's wealth



Only takes 2 years to qualify

Shares must be held at the time of death



Can be gifted (to reduce value of estate)



BR assets can replace each other



Clients retain access to capital



Inherited ISA Allowance

Additional permitted subscription (APS)



Upon death there are various options



Transfer into Trust

If the shares were already held for 2 years before the transfer into trust, the potential lifetime charge to IHT is reduced from 20% to zero



Transfer by way of gift:

If the individual (donor) holds BR-qualifying shares for 2 years before gifting, and the recipient of the gift still holds the shares at the time of the donor's death, the investment retains IHT exemption for the donor (reduce estate)

Here to help

For more help with tax-efficient strategies, please speak with your local Business Development Manager who will be happy to help.

[Send us an enquiry →](#)

[Find out more about IHT →](#)



Risks

What are the risks associated with BR-qualifying shares?

Capital is at risk. The value of an investment may go up as well as down.

Legislation for tax rules and reliefs could change in the future. This may impact shares held in companies that are later deemed as no longer BR-qualifying. To date, Blackfinch has achieved 100% success rate on creating BR-qualifying investments.

Business Relief is assessed by HMRC on a case-by-case basis at the time of death of the investor, as part of the probate process. Therefore, the relief cannot be guaranteed. The two-year timeframe begins when HMRC deems the investment to have become BR-qualifying. This may be later than the investment date.

Liquidity varies by product and should be considered when understanding which product may be a suitable fit for an investor.

The products detailed in this document may not be suitable for all investors and we would recommend that prospective investors seek independent advice before making an investment decision.

IMPORTANT INFORMATION

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