

JM FINN

Inheritance Tax Portfolio Service

A personal service





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If you have ever considered passing on some of your hard earned wealth to the next generation, it can be frustrating knowing that a considerable portion of your assets may be taken away from your estate thanks to Inheritance Tax, or Death Duties as they are sometimes known.

With careful planning by a specialist adviser, it is possible to mitigate the effects of Inheritance Tax via a number of solutions, one of which is an Inheritance Tax Portfolio Service.

At JM Finn, we specialise in managing private client investment portfolios that are tailored to individual clients' investment requirements. This refined eye for investment, honed over several generations, is available for specific investment purposes such as earning relief from Inheritance Tax.



Inheritance Tax

Complex rules

IHT rules are complex and ever-changing and therefore looking to mitigate IHT requires specialist and professional advice.

More and more people are getting caught by the Inheritance Tax (IHT) threshold, thanks primarily to the sharp increase in property prices in the UK over recent years, which in turn can reduce the amount of wealth that transfers to the next generation.

IHT is payable on the value of an estate over and above any allowances and nil rate bands. The current nil rate band has been frozen until 2019/20 at £325,000 so any assets above that are potentially liable for IHT at a rate of 40%; additional allowances do exist depending upon individual circumstances, so it is advisable to seek advice.

There are a variety of solutions to help investors mitigate the effects of inheritance tax on an estate, including, but not limited to:

- Gifts and exemptions
- Charity donations
- Life insurance
- Trusts
- Business Relief (BR)

Business Relief

Business Relief (BR) was introduced in the 1970s, initially to help owners of family businesses keep them in the family as they passed through the generations. As with many tax initiatives, BR also created an opportunity for investors in those unquoted companies that qualified. Today, qualifying investments have two key criteria: they must be trading companies, thus excluding investment companies and shell, or dormant, companies and they must be unquoted, which for the purposes of BR includes shares listed on AIM and the NEX Exchange Growth Market.

AIM

The Alternative Investment Market (AIM) is a sub-market of the London Stock Exchange, founded in 1995 to allow smaller companies to access the capital markets with less stringent regulatory requirements. Since launch, AIM has helped over 3,000 small and medium sized companies to raise equity to support their growth and currently includes companies operating in more than 100 countries, 40 different sectors and with a combined market capitalisation of over £100billion¹.

NEX Exchange Growth Market

The NEX Exchange Growth Market is a Recognised Investment Exchange operating a market to provide access to capital and liquidity, specifically for Small and Medium-sized Enterprises (SME) growth companies.

High risk

Due to the nature of AIM and NEX Exchange stocks, a portfolio designed to mitigate IHT must be considered a medium term, high risk investment. It is also important to note that BR is applied for during probate and subject to HMRC rulings and therefore there can be no certainty that relief will be granted.

Inheritance Tax Portfolio Service

At JM Finn, we offer a service that draws upon our investment expertise to take advantage of those companies that might offer Business Relief via investing in securities listed on AIM and NEX Exchange. The service comprises an individually tailored portfolio of qualifying investments that, under current legislation, falls outside a taxable estate if held at death, and as long as they have been held for a minimum of two years. Our Inheritance Tax Portfolio Service only invests in AIM and NEX Exchange Growth Market listed securities and does not accommodate securities not listed on those markets.

Expert investment

As with any high risk investment, sound financial advice is required before embarking down this route. Once you've taken the decision to use BR relief as a tool to mitigate IHT, you will need to talk to a specialist in this field who has experience and insight into AIM and the NEX Exchange Growth Market.

Personal portfolio management

At JM Finn we have established a service dedicated to investing in stocks with a view to providing IHT relief. Managed by a specialist investment manager with over 20 years' experience in investing in AIM-listed companies, the service builds bespoke, discretionary portfolios consisting of well researched AIM and NEX Exchange Growth Market-listed companies. These companies are likely to be established, profitable and usually dividend-paying; often with strong financial attributes and sound and stable management teams with good track records. The investment manager spends a lot of time getting to know management teams and assessing their strategies and business opportunities and maintains a regular programme of meetings after investment to ensure that the investment rationale remains sound.

Established approach

Generally, the approach employed in purchasing stocks is to buy at attractive valuations, with a specific focus on not overpaying for shares at any given time. To do this on a consistent basis we constantly review the market to ensure we have sufficient breadth of opportunities to invest in.

¹ London Stock Exchange June 2019

An illustration

To understand how a discretionary portfolio within our Inheritance Tax Portfolio Service can help reduce your IHT burden, an illustrative example can help.

	Estate without portfolio	Estate with IHT portfolio
Property Value	900,000	900,000
Investment Portfolio	750,000	570,000
IHT portfolio	-	180,000
Other assets	150,000	150,000
Total	1,800,000	1,800,000

These figures are for illustrative purposes only. The IHT threshold and rate used are correct as at June 2019.

Nil rate band	325,000	325,000
Taxable estate	1,475,000	1,295,000
Inheritance Tax (40%)	590,000	518,000
Residual estate	1,210,000	1,282,000
	Tax Saving	72,000

Please remember that the value of your investments can do down as well as up and you may not get back your original investment. Investments in the Inheritance Tax Portfolio Service are in high risk securities and are therefore likely to have high levels of volatility with a significant risk of losing more money than the IHT saving.

The benefits

Although there are risks inherent with investing in smaller, less liquid companies, there are three key benefits to trying to reduce your estate’s IHT burden via the BR route.

Simplicity

There is no need to set up a trust, or engage with any complex legal structures.

Speed

Unlike other IHT mitigation schemes, you do not have to wait seven years for the tax relief to take effect. With BR, investments can be qualifying once they have been held for two years, as long as they are held at death.

Flexible

Thanks to the ease of access, should your circumstances change, you can sell the holdings, subject to liquidity, whenever necessary.

Inheritance Tax Service Risks



Because of the nature of the markets in which the portfolio invests, the shares are deemed to be high risk investments, and the possibility of losing money is therefore also high.

Particular investment risks may include:

- Liquidity may be limited, so that it can be difficult or impossible to sell the shares and, where they can be sold, in the case of shares listed on a market the price obtained may be substantially lower than any price quoted by a market maker;
- There is often a big difference between the price the shares can be sold for and the price they can be purchased for;
- The price at which the shares can be sold can change very quickly and may go down as well as up.

Talk to your professional adviser or one of our Wealth Planners to determine whether the Inheritance Tax Portfolio Service, and the risks that go with it, are suitable for you.

“Probably the most responsive business contacts I have.”

Client of JM Finn

Uncompromising service standards



Our success as a firm over our 70 year history can be attributed to a steadfast focus on providing superior client service, which is only possible by having a clear understanding of our clients’ requirements.

We surveyed our clients in 2019 to explore their perceptions of the service we provide, resulting in feedback which underlines the success of our client service. To find out how you can benefit from our experience, please contact an investment manager.

Trust



98%

Have trust and confidence in their investment manager

Confidence



96%

Have trust and confidence in JM Finn as a firm

Communication



95%

Are satisfied with the communication they receive from JM Finn

Referrals



70

JM Finn's NPS* demonstrating a client's willingness to promote the firm

An independent survey of 2,094 clients conducted in March 2019 by Savanta.
*NPS: Net Promoter Score (between -100 and +100)

Important Notes

Investment involves risk. The investments discussed in this document may not be suitable for all investors. **The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested.** This document is for information purposes only and has no regard for the specific investment objectives, financial situation or needs of any specific investor.





Get in touch

Speak to us

If you have any questions about how we can help
build the future you want to see, please call

020 7600 1660

or if you would like to speak to your local office

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