DW | DowgateWealth

Inheritance Tax Portfolio Service

Tax efficient investing for inheritance

One of the ways of reducing your taxable estate where you retain ownership of the investments and income derived from them is to have an inheritance tax portfolio.

Dowgate Wealth offers a discretionary IHT portfolio service that is simple and cost effective.

Inheritance tax rules

Currently 40% Inheritance Tax is liable on your assets above £325,000 nil rate band.

New rules in 2017 provide an additional nil rate threshold (residence nil-rate band). This has been phased in and raises the IHT threshold to £1 million for married couples and civil partnerships (£500,000 for singles) who pass their main residence on to direct descendants (children and grandchildren). In 2020 the residence nil-rate band increased to £175,000. Going forward it will increase in line with inflation.

The new rules mean that estates with a net value of more than £2 million face a phased withdrawal of the main residence allowance, at a rate for £1 for every £2 over this threshold.

Business Property Relief

Introduced by the UK government in 1976 this a statutory tax relief as an incentive to invest in specific types of trading companies including companies trading on the AIM market.

Qualifying assets held for a minimum of two years and still held at the time of death are exempt from inheritance tax. If the two-year holding period is not met before death a surviving spouse or civil partner may inherit the portfolio without restarting the holding period.

An example of possible savings

If an individual has an investment portfolio of £1,000,000 from which £300,000 is invested in the Dowgate Wealth Inheritance Tax Portfolio service – assuming the nil rate Inheritance Tax bands are utilised against other assets such as the family home. (The below chart does not reflect any growth in the value of the portfolio:)

	Estate without an IHT Portfolio	**Estate with an IHT Portfolio**
Total Value of Investment Portfolio	£1,000,000	**£1,000,000**
Amount of portfolio invested In BPR stocks	Nil	**£300,000**
Value of portfolio taxable for IHT	£1,000,000	**£700,000**
IHT payable on portfolio	£400,000	**£280,000**
Residual estate	£600,000	**£720,000**
IHT Saving	Nil	**£120,000**

What is AIM?

The Alternative Investment Market was established in 1995 and is in the London Stock Exchange's market for smaller, growing companies.

AIM's regulatory structure is based around balancing the flexibility of a growing company's needs while offering appropriate investor protection. AIM has become attractive to a wide range of companies at different stages of development and covers a broad range of sectors.

Investing in AIM Shares in your Individual Savings Account (ISA)

You can now buy AIM shares to be held in your ISA, which will be free from Capital Gains Tax, Income Tax as well as the Inheritance Tax benefits.

The benefits can be transferred to the surviving spouses and civil partners too. If the holder of an ISA dies their surviving spouse or civil partner is entitled to an extra ISA allowance equal to the value of any ISA's held, even if they are not inheriting the ISA itself.

The risks of AIM and this service

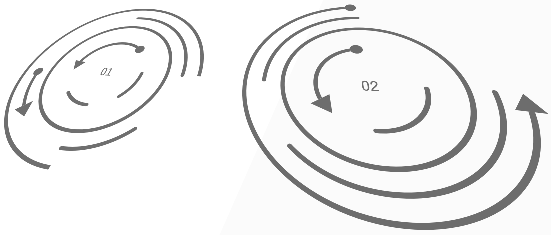
This service should be regarded as a high risk, long term investment as it only invests in smaller companies where share prices are more volatile and less liquid than shares listed on the LSE full market.

Why Choose Dowgate Wealth Management

The Dowgate Wealth portfolio management team has over 150 years experience of investing in the market and managing client portfolios. Using our vast knowledge of the market and smaller companies together with our access to management teams we perform rigorous research on the companies we select to invest in.

In order to decide if this service is right for you, we will ask you to complete a risk questionnaire and discuss your financial circumstances with you.

You can monitor your portfolio using our online portfolio platform and you will receive contract notes when we place transactions on your portfolio. You will also receive quarterly performance updates showing relative performance.



Frequently Asked Questions

What is the minimum investment?

The minimum investment is £50,000.

What is the cost?

DGW charge a management fee of 1.25% per annum with a £20 transaction charge per trade.

When does the holding period start?

The two-year period begins once the funds in the portfolio have been invested in the market.

What happens if we sell one of the qualifying stocks or it is taken over?

The two-year window does not restart provided the proceeds are invested in another stock that qualifies for BPR. Capital Gains Tax may be payable at your appropriate rate.

What if my circumstances change?

Part or all of your portfolio can be realised at any point and DGW will not charge a penalty for doing so. There will be the usual market costs associated with selling the assets and the resulting withdrawn capital value may form part of your estate for IHT purposes.

What if I die within the initial two-year period?

After probate, the portfolio can be transferred to your surviving spouse or civil partner without re-starting the requisite two-year holding period. Otherwise, the portfolio will be considered part of your estate in the IHT calculation.

What happens upon death?

At the date of death, if requested, we will cease trading on the account and can provide a probate valuation if requested. Once Grant of Probate is received, we can take instructions from the executors. Alternatively, if a payment to HMRC is required, then we will require a copy of the death certificate and a letter of indemnity from the executors.

What if I have a Financial Advisor or another intermediary?

We can deal directly with your Financial Advisor and they are responsible for the suitability of this service for you.

The risks of smaller companies and companies on AIM

Investments in smaller companies will normally involve greater risk or above average price movements (volatility) than investments in larger companies. These companies can suffer from illiquidity issues, which can make it difficult to dispose of an investment.

The spread on AIM shares can be greater than on fully quoted investments and therefore if an investor has to sell a holding immediately after purchase the proceeds may be less than the initial amount invested. The price quoted in an AIM share may also be valid in a small amount of shares so selling a larger quantity may achieve a lower prices that the actual market quote.

Smaller companies can have smaller management teams and as such the loss of an individual member may have a significant effect on their performance. Equally these companies can tend to be vulnerable to sudden changes in market conditions.

The rules for listing shares on the AIM market are less demanding than those on the Official List of the London Stock Exchange; and therefore the risks are higher.

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