



Clients who want an inheritance tax-efficient ISA

An Individual Savings Account (ISA) offers valuable tax benefits during someone's lifetime, but is still subject to inheritance tax along with the rest of the person's estate.

This example explains how clients can move ISAs out of the inheritance tax trap, without losing ISA tax benefits or control over their assets.

About this scenario

This tax-planning scenario is designed to help advisers develop appropriate planning strategies for their clients. Advisers should consider, among other things, the value of tax relief for their client. You will also need to consider the impact of charges (including initial fee and ongoing fees such as annual management charges) relevant to the products represented and/or any specific product you have chosen.

Nothing here should be viewed as advice. Any suitability decisions should be based on a comprehensive review of your client's objectives, needs and attitude towards risk. For more details and information about the associated risks, please see the relevant product literature available at [octopusinvestments.com](https://www.octopusinvestments.com).

Meet Peter, a committed ISA investor

Like thousands of people across the UK, 60-year-old Peter is concerned about inheritance tax. He has never married, and as his house alone is worth more than £500,000, he expects that his daughter Emma will have to pay 40% inheritance tax on his investments when he dies. This includes the ISA investments he's been building up over the years.

He'd like to find a way to invest that retains the tax benefits of an ISA wrapper, without the inheritance tax liabilities.

A tax-planning solution from Octopus

Peter talks to his financial adviser, who makes an assessment based on his objectives and attitude to risk. Given this, his adviser suggests investing in the Octopus AIM Inheritance Tax ISA. It comes with the same tax benefits his ISAs have always enjoyed, but after two years the ISA becomes free from inheritance tax, assuming it is still held at the time of death. It also offers access to the growth potential of carefully selected UK smaller companies.

The Octopus AIM Inheritance Tax ISA invests Peter's money in a selection of companies listed on AIM (the Alternative Investment Market). Certain AIM-listed companies qualify for Business Property Relief (BPR).

BPR is an investment incentive which has been part of primary inheritance tax legislation since 1976. Over the past decade BPR has become increasingly popular with some investors interested in reducing the inheritance tax liabilities potentially due on their estate, who are also comfortable with higher risk investments. After holding the Octopus AIM Inheritance Tax ISA for two years, the investment should become free from inheritance tax.

The estate planning benefits of this ISA may make it particularly interesting for clients considering ISA transfers, especially older clients who have large estates, and have built up significant ISA portfolios.

Many forms of inheritance tax planning put money permanently out of an investor's reach. This lack of access can make it more difficult to deal with any unexpected costs that come up in later life. However, with the Octopus AIM Inheritance Tax ISA, the investment is still held in the client's name, and they can access their investment when required.

An important reminder about key risks

The value of an investment, and any income from it, can fall or rise. Investors may not get back the full amount they invest.

We invest in companies that we believe qualify for BPR. Entitlement to claim relief will depend on companies invested in qualifying for BPR at the time a claim is made. Relief is assessed by HMRC on a case by case basis.

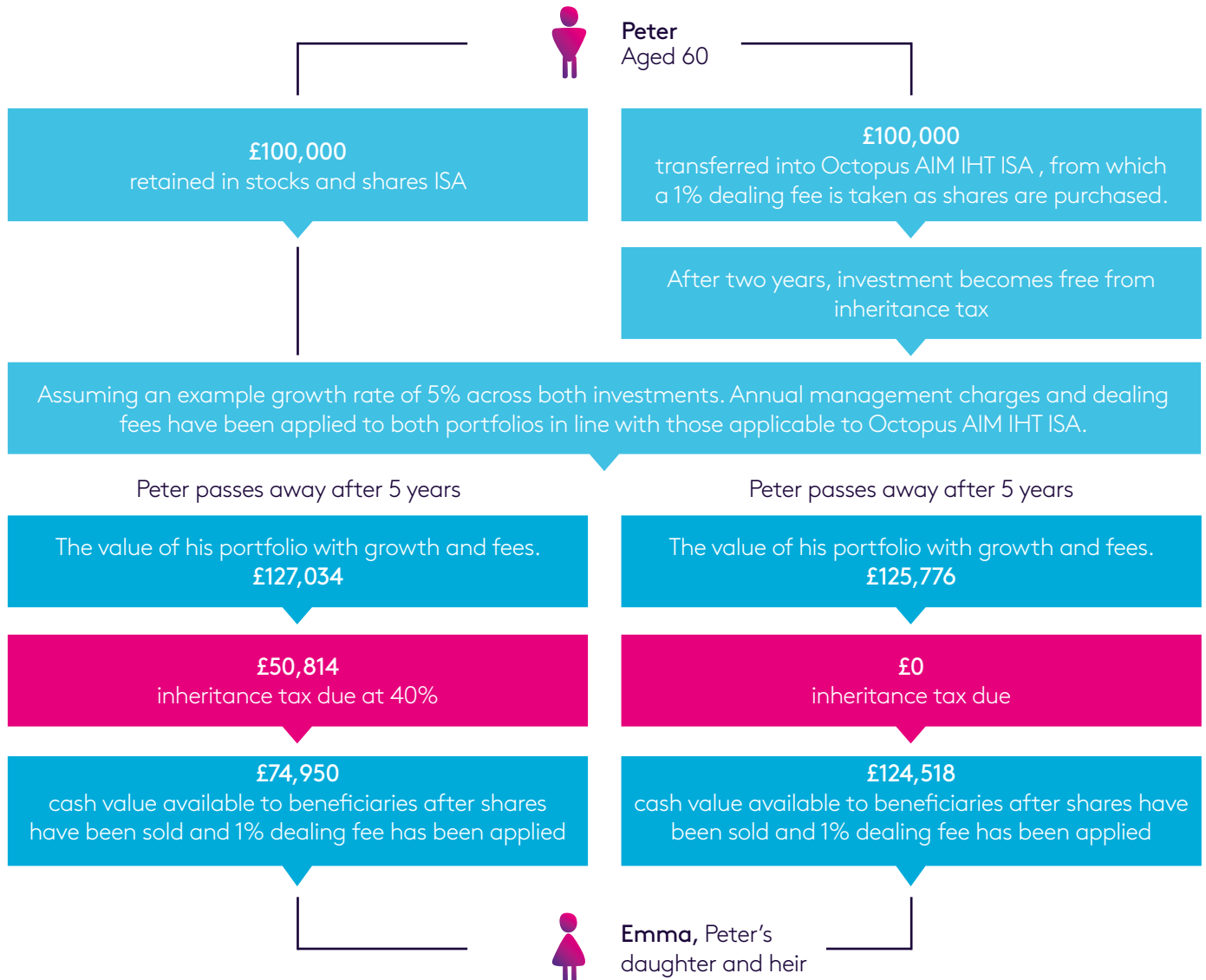
The benefit of tax relief will depend on personal circumstances. Tax legislation may change in the future.

The shares of AIM listed companies could fall or rise in value more than shares listed on the main market of the London Stock Exchange. They may also be harder to sell.



How Octopus AIM Inheritance Tax ISA can reduce the inheritance tax due on an estate

This diagram shows how Peter can minimise the inheritance tax due on his ISA by transferring it to the Octopus AIM Inheritance Tax ISA. Peter can transfer some or all of his existing ISAs and/or make a cash subscription using his current-year ISA allowance. Plus, he'll be able to sell shares and withdraw his money if he needs it in future years. But, most importantly, his daughter shouldn't have to pay as much inheritance tax on what he leaves to her.



Note: This example is for illustration purposes only and assumes that the nil-rate band is offset against other assets. It is important to note that the risk profile of each portfolio, and any investment growth or losses, is likely to differ. Investments in AIM-listed companies can fall or rise in value much more sharply than shares in larger, more established companies.

The annual management charge is 1.5% +VAT. The estimated annual dealing charges are 0.20%, typical for the Octopus AIM Inheritance Tax ISA. However, actual dealing charges experienced by an investor may be higher or lower. The example assumes the costs for each portfolio are the same, but actual costs may be different. It does not include any charges paid for financial advice. Also, the current ISA provider may charge a fee for transferring an existing ISA.

Octopus can help your clients



Octopus is the UK's largest provider of investments that qualify for Business Property Relief from inheritance tax (source: Tax Efficient Review, 2017). For more information on our range of tax-planning solutions, call **0800 316 2067** or visit **octopusinvestments.com**.


Octopus – an investment company with a difference

When we launched Octopus in 2000, our ambition was to create a different type of financial services company. We wanted to be known for putting our customers first.

Today, Octopus is an investment company with more than 550 employees and more than £7.5 billion in funds under management (source: Octopus, December 2017). We work with tens of thousands of clients, and we've built market-leading positions in tax-efficient investment, smaller company financing, renewable energy and healthcare. But no matter how big we get, our aim is to keep doing the simple things well and to look after each of our customers, day in, day out.

Our products are not suitable for everyone. Any recommendation should be based on a holistic review of your client's financial situation, objectives and needs. We do not offer investment or tax advice, but we recommend investors seek professional advice.


Why not look through some of our other tax-planning scenarios?




Clients who have sold a business in the last three years




Clients with power of attorney over someone's affairs



Clients looking to settle assets into a trust



Clients who require access to their investment



Clients with a loan trust in place



For a copy, or to find out more about Octopus and what we do:

Call our Business Development Managers on **0800 316 2067**
or visit [octopusinvestments.com/clientscenarios](https://www.octopusinvestments.com/clientscenarios)