



Sportspersons investing tax-efficiently in high growth opportunities

This planning scenario shows how a sportsperson can target high growth and diversify their portfolio, while making use of available tax reliefs.

About this scenario

The UK sports industry represents an opportunity for financial advisers and paraplanners, since many sport professionals are high earners and can benefit from advice that helps them diversify and find additional ways to invest tax-efficiently for the future.

We created this tax planning scenario to help advisers develop suitable planning strategies for clients who are sports professionals. It does not provide advice on investments, taxation, legal matters, or anything else. Tax-efficient investments aren't suitable for everyone. Any recommendation should be based on a holistic review of a client's financial situation, objectives and needs.

Before recommending an investment, you should also consider the impact of charges related to the product, such as initial fee, ongoing fees, and annual management charges.

Meet Isiah, a sports professional who wants to target high growth

Isiah Smith is 22 and a talented centre forward currently playing for a club in the English Football League One.

Last season he signed a contract extension that reflected his position as the club's top goalscorer.

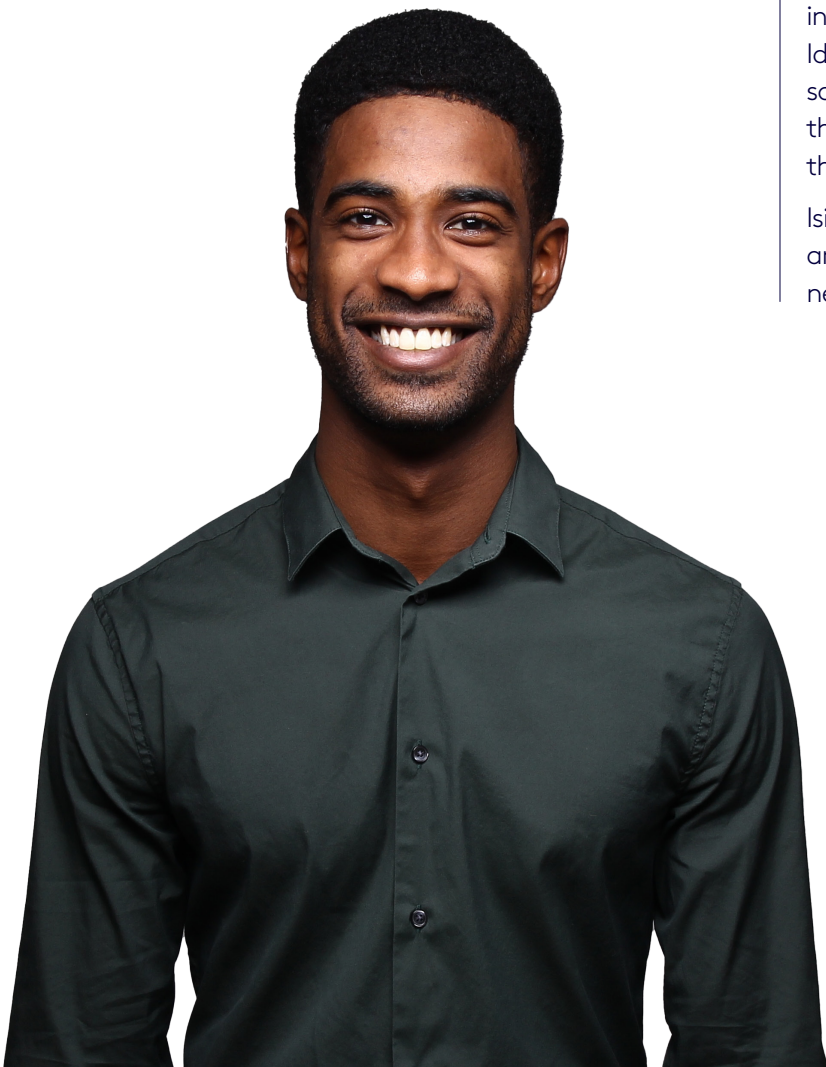
Under the terms of his contract, he's earning £8,000 a week this season – a salary of £416,000. What's more, Isiah has a bonus structure built into the terms of his contract. He's on track to meet both his goals and appearances target, triggering a generous payout.

Last season, Isiah certainly enjoyed the fruits of his labour. A luxury watch, new 4x4, and several trips to the Algarve were all significant outgoings.

But Isiah knows he won't be at the top of his game forever. After all, a typical career in professional football can be as little as five to eight years. So his focus has turned to securing his future.

At the rate he earns, his annual pension and ISA allowances will be filled in no time, especially since his annual pension allowance is tapered due to his high earnings. Isiah wants to make additional investments to complement his existing portfolio. Ideally, he'd like to target high growth. He's done some research into investing and he understands that if he wants to target significant growth, this will mean taking more risk with his money.

Isiah has previously invested in a friend's business and is passionate about backing entrepreneurs with new ideas.





Isiah's adviser recommends a managed EIS investment

Isiah talks to his financial adviser, who makes an assessment based on Isiah's objectives, risk appetite, and attitude towards small company investing. Based on this assessment he recommends the Octopus Ventures EIS Service.

His adviser explains that this investment will provide Isiah with shares in 10 to 15 exciting, early-stage businesses, each selected for their potential to grow by ten times over the next five to ten years.

Isiah is clear that investing in the shares of early-stage companies is risky, as some companies will not succeed. However, his adviser explains that to compensate for some of the risks involved, there are valuable tax reliefs that he could receive.

Isiah can claim 30% tax relief on his investment, which is available to offset against his significant income tax bill. Where a company in his portfolio grows, it will be free from capital gains tax. Where a company fails, he would be able to claim loss relief against income tax or capital gains, even if his EIS portfolio has increased in value overall.

His adviser explains that, given the high growth potential and tax-efficient nature of the investment, an EIS portfolio managed by a specialist provider like Octopus Investments could be an attractive way to complement his existing investments.

Isiah chooses to invest £100,000.

An important reminder about key risks

- The Service is high-risk and should be considered as a long-term investment. The value of an investment can fall or rise. Investors may not get back the full amount they invest.
- Tax treatment depends on individual circumstances and may change in the future. Tax reliefs depend on the portfolio companies maintaining their qualifying status.
- The shares of smaller 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.

The below table provides an overview of Isiah's investment results and tax reliefs.

For simplicity, we have assumed Isiah's money is invested into a portfolio of five EIS-qualifying companies, each of equal weighting. In reality, a portfolio in the Octopus Ventures EIS Service is expected to be made up of 10-15 companies and the amount invested into each company may vary.

	Total	Performance of a portfolio of five EIS companies				
		10x	3x	1x	0x (loses all value)	0x (loses all value)
Amount invested	£100,000					
Octopus initial fee (2%)	(£2,000)					
Dealing fee (1%)	(£970)	(£194)	(£194)	(£194)	(£194)	(£194)
Amount invested in EIS companies	£97,030	£19,406	£19,406	£19,406	£19,406	£19,406
Proceeds from sales	£271,684	£194,060	£58,218	£19,406	–	–
AMC (2%+ VAT) accrued for 8 years	(£21,561)	(£14,739)	(£6,822)	–	–	–
Performance fee ¹ (20%+ VAT)	(£51,232)	(£41,917)	(£9,315)	–	–	–
Dealing fee (1%)	(£2,717)	(£1,941)	(£582)	(£194)	–	–
Gain or (loss) on each EIS company		£115,863	£21,899	(£388)	(£19,600)	(£19,600)
Gain or (loss) on investment	£96,174					

EIS tax reliefs on Isiah's portfolio

All growth of the companies in Isiah's portfolio is free from capital gains tax. Had they not been EIS-qualifying he would have owed a total of £42,111 at a rate of 20%.

Income tax relief (30%)	£29,110	£5,822	£5,822	£5,822	£5,822	£5,822
Loss relief against income tax (45%)	£12,400	–	–	–	£6,200	£6,200
Total tax reliefs	£41,510	£5,822	£5,822	£5,822	£12,022	£12,022

Investing in EIS-qualifying companies is high risk and capital is at risk.

Note: Tax rates and allowances are correct for the tax year 6 April 2023 - 5 April 2024. ¹Performance fee is calculated based on the difference between the proceeds from sales and the amount invested into each company. For full details on the fees and charges, please read the **Octopus Ventures EIS Service brochure**. This illustrative example should be used for reference only to show the impact of fees and charges on, and the potential tax treatment of, an investment in the service. There is no target for this service so this illustration is based on our experience of investing in smaller companies and an investment in the service may return more or less than this example. The example shows the impact of charges paid to Octopus but it does not include any charges paid to an adviser.

In an illustrative scenario where of five EIS companies, two return the initial amount invested and three lose all value, loss on investment would amount to £61,576, returning £38,424 of the initial amount invested. Income tax and loss reliefs could total £47,710 (if claimed by an additional rate tax payer).



Tax reliefs are shown for illustrative purposes only as each investor's tax situation may be different. Tax benefits shown assume investments maintain their qualifying status and that the relevant legislation does not change.

A different kind of investment company



Founded in 2000, Octopus Investments set out to be a financial services company with a difference, and one that put its customers first.

From the very beginning, we've invested in the people, ideas and industries that aim to change the world and unlock a brighter tomorrow. We built our expertise in spaces that make a real difference in financial planning. And we've designed investments that drive money into those sectors we truly believe in, such as renewable energy, smaller companies and healthcare.

Certified We're proud to be a **Certified B Corporation™**



Being a B Corp means our social and environmental performance, accountability and transparency have been assessed and certified. We strongly believe that there is no trade-off between 'doing good' and making money, and our business can pursue purpose as well as profit. We care about how we do business.

Planning opportunities in your client bank

Our investments can help clients in a range of situations meet their financial goals and make use of available tax reliefs. These are some potential planning ideas you might want to consider.

Clients who are selling a second home	Clients with a well-diversified portfolio looking for longer term, higher risk investments	Clients who have recently sold a business
Clients who are happy to make an illiquid investment with the potential to be part of future success stories	Clients who are experienced investors, looking to leave a legacy	Well-experienced clients looking to invest into a smaller portfolio of early-stage companies with high growth potential

If you'd like to discuss how these planning scenarios apply to your clients, or to find out more about how Octopus can support you, call our Business Development Managers on 0800 316 2067, email support@octopusinvestments.com or visit octopusinvestments.com.

EIS-qualifying investments are not suitable for everyone. Any recommendation should be based on a holistic review of your client's financial situation, objectives and needs. Investors should read the product brochure before deciding to invest, this can be found at octopusinvestments.com. This communication does not constitute advice on investments, legal matters, taxation or any other matters.

Issued by Octopus Investments Limited, which is authorised and regulated by the Financial Conduct Authority. Registered office: 33 Holborn London EC1N 2HT. Registered in England and Wales No. 03942880. We record telephone calls. Issued: July 2023.

CAM013131