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Octopus Live
in the Capital 2025

octopus investments
A brighter way

Identifying estate planning opportunities in your client bank

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Learning objectives

1. Gain the tools you need to grow your advice business using different tax planning angles
2. Identify who in your client bank could benefit from Business Relief investments
3. Build a deeper understanding on specific angles ranging from business owners as clients, drawing tax-free cash from pensions, utilising replacement relief

Key Business Relief risks

Capital at risk

The value of an investment, and any income from it, can fall as well as rise.

Investors may not get back the full amount they invest.

Tax treatment

Tax treatment depends on an investor's personal circumstances and may change in the future.

Qualifying status

Tax reliefs depend on the portfolio companies maintaining their qualifying status.

Volatility and liquidity

The shares of unquoted 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.

Estate planning is shifting. Are your strategies keeping up?

Rethinking the order of estate planning

The rules have changed and the order should too

- Business Relief investments
- Pension (included for IHT from April 2027)
- Gifting
- Trusts
- Charity
- Life insurance
- Spend it

2024 Autumn Budget and its IHT impact

The net is tightening and you should act now

1. Freeze on IHT thresholds extended until 2030, keeping the nil-rate band at £325,000 and residence nil rate band at £175,000.

2. Inherited pensions to count towards taxable estate from April 2027.

3. APR* or unquoted BR** assets qualify for 100% IHT relief up to £1 million, with 50% IHT relief beyond that from April 2026.

4. AIM BR shares will attract 50% IHT relief from April 2026.

*APR: Agricultural Property Relief. **BR: Business Relief or Business Property Relief.

The growing IHT trap

IHT predicted to **raise £9.1 billion** for the Treasury in 2025/26[1]

71% of UK adults don't understand how much IHT their family will have to pay[2]

40% of UK adults believe discussing inheritance is 'the last great family taboo'[3]

Women are **45% more likely** to have inherited assets than men[4]

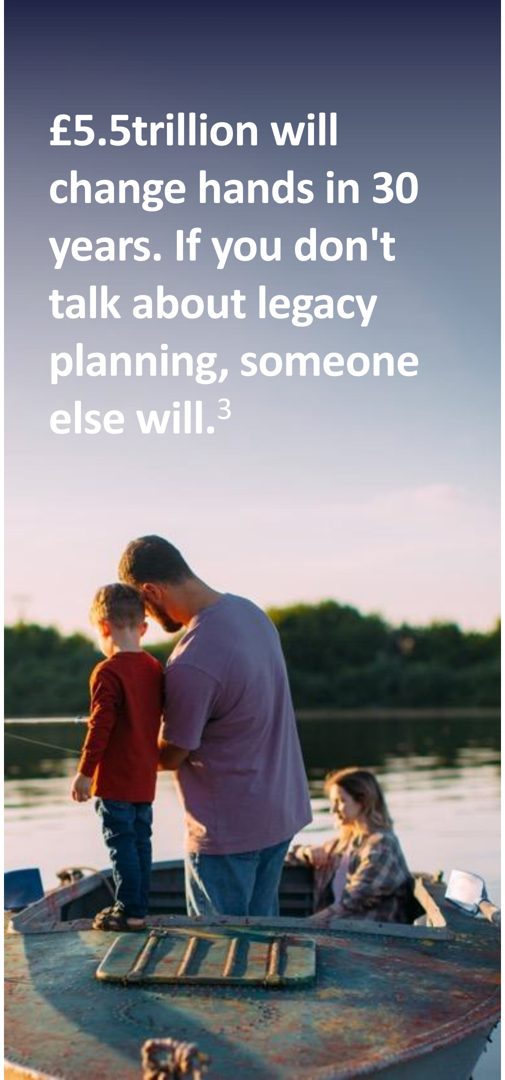
[1] Office for Budget Responsibility, March 2025. [2] Family and Finances Report, Schroders, May 2025. [3] Family and Finances Report, Schroders, May 2025. [4] Unbiased, June 2025.

The “death tax” on your business

You’ll be familiar with the 40% “death tax” and its potential impact on a client’s legacy. But have you thought about the death tax on your business?

77% of women change advisers within a year of inheriting wealth from their partner[1]

Less than half of children retain their parents’ financial adviser after inheritance[2]



[1] Women and passing on wealth, M&G plc, May 2025. [2] Rathbones, August 2024. [3] Unbiased, May 2025.

IHT Budget impact: The cost of delay

Sarah is 66 is widowed

She has an estate worth £2,450,000.
This is made up of:

- House – £600,000
- Unquoted BR investments – £350,000
- AIM BR investments – £200,000
- ISA non-BR qualifying – £300,000
- General investment account (GIA) – £200,000
- Defined contribution pension – £800,000

	2025	2026	2027
Estate	£2,450,000	£2,450,000	£2,450,000
Less pension	(£800,000)	(£800,000)	n/a
Less unquoted BR investments	(£350,000)	(£350,000)	(£350,000)
Less AIM BR investments	(£200,000)	(£100,000)	(£100,000)
Less RNRB and NRB	(£1,000,000)	(£1,000,000)	(£775,000)
Remaining	£100,000	£200,000	£1,250,000
IHT @ 40%	£40,000	£80,000	£490,000
NRB and transferable NRB	£650,000	£650,000	£650,000
RNRB and transferable RNRB	£350,000	£350,000	£125,000

Client planning scenarios and planning outcomes

Client scenarios

- We created these tax planning scenarios to help advisers develop suitable planning strategies for clients.
- They do 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.

Client planning scenarios we'll cover today

Planning for IHT on pensions

Clients settling assets into trusts

Estate planning for clients who worry it's too late

Clients who have sold a business

Estate planning for clients who worry it's too late

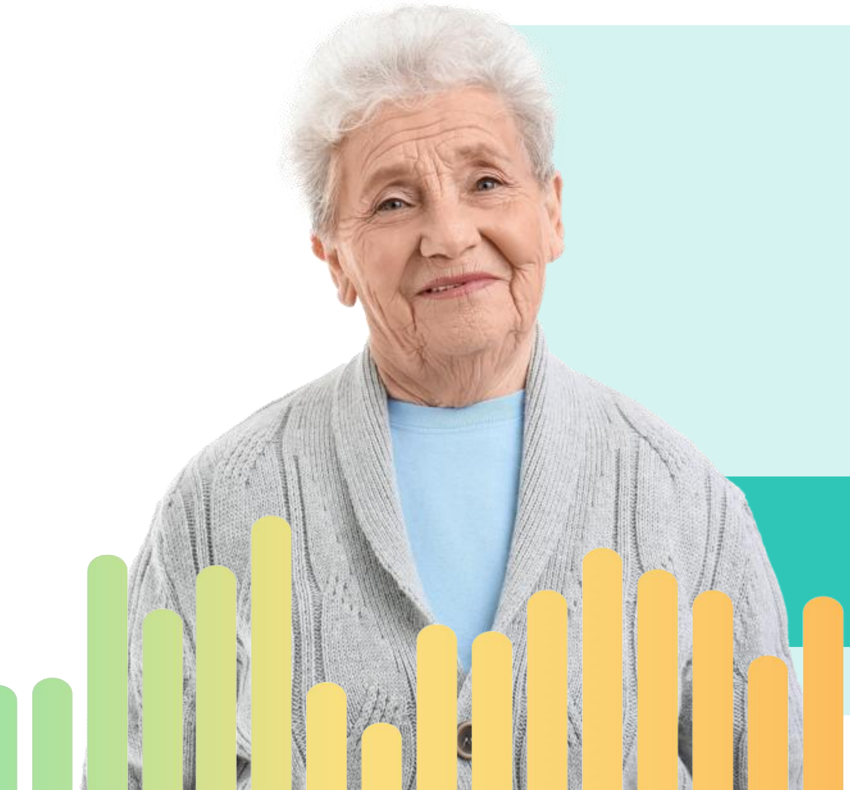
Estate planning for clients who worry it's too late

- Harold and his wife are in their 90s. Most of their assets are in Harold's name, with his wife as his sole beneficiary.
- They would like to leave something for their two children and five grandchildren.
- The couple's adviser tells them that a £500,000 chunk of their investment portfolio would be liable for IHT were they both to pass away without putting any planning in place.

The adviser assesses Harold's objectives, appetite for risk and capacity for loss and suggests making an investment that qualifies for Business Relief.

Planning for IHT on pensions

Pension IHT planning – investors over 75

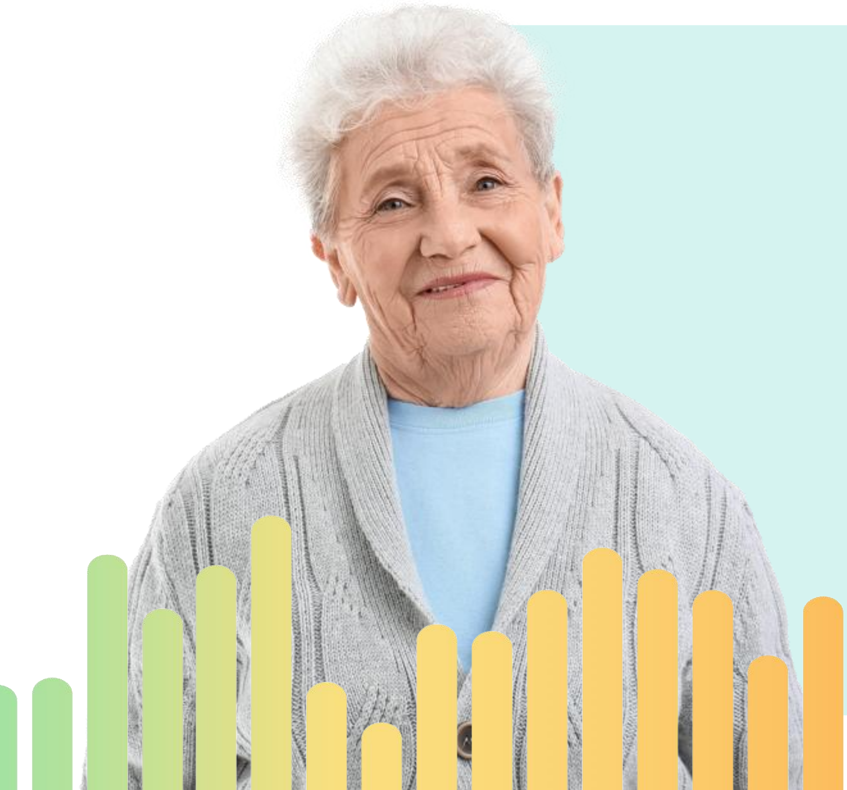


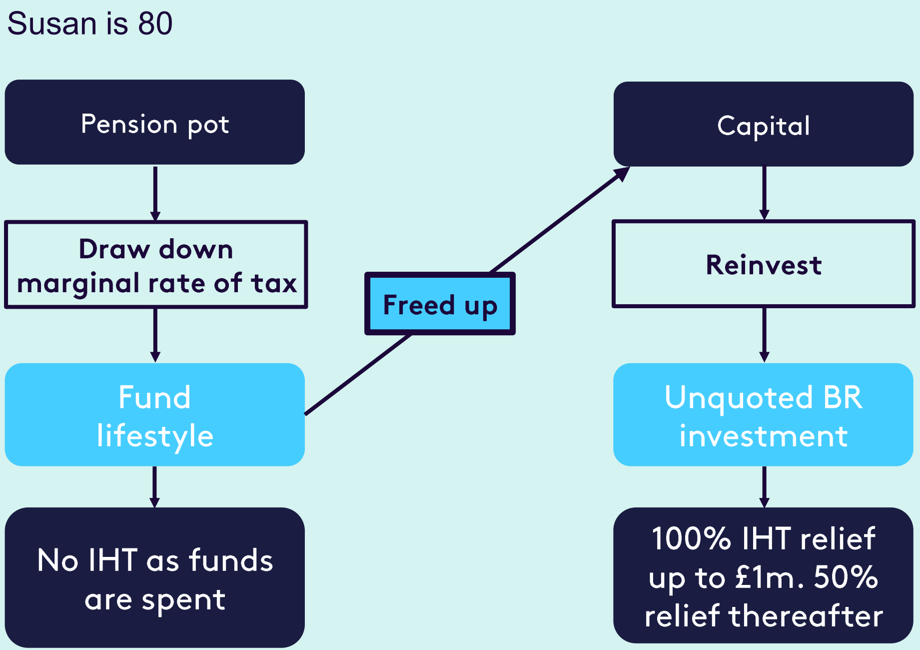
- Susan is 80 and is worried that the change to the inheritance tax treatment of pensions could affect her estate.
- Even if she dies prior to April 2027, income tax will be payable by her beneficiaries when they draw down her pension.
- She drew 25% of her pension, tax free, some years ago but has a large pension pot remaining.

Susan considers moving to pension drawdown in order to fund her lifestyle. This should then free up other capital that she could invest in BR investments.

Pension IHT planning – investors over 75

Pension drawdown, freed up capital and Business Relief





Clients looking to invest their tax-free pension lump sum to reduce inheritance tax

- Bertha, 72, has always been a balanced investor.
- From April 2027, pensions will be included in the taxable estate for inheritance tax (IHT) purposes — a significant shift Bertha wasn't prepared for.
- She had planned to use her pension as a key part of her legacy, passing it to her children free from IHT.

Bertha's adviser recommends she draws £100,000 as a tax-free lump sum from her pension and re-invests the funds into a BR-qualifying investment.

Clients looking to invest their tax-free pension lump sum to reduce inheritance tax

Bertha

OITSPlus

£97,020
invested in the service after the 2% initial fee and 1% dealing fee

Bertha dies after one year

Assuming an example growth rate of 3.6% per annum, and 0.5% + VAT Annual Management Charge (AMC)

£99,920
value of OITSPlus portfolio

£39,968
inheritance tax charged at 40% on the value of Bertha's investment in OITSPlus

£40,000
paid to children to help mitigate Bertha's IHT bill, following a successful claim under our insurance cover. This is 40% of Bertha's initial investment before feet were deducted.

£58,953
passed to children after 1% dealing fee to sell the portfolio has been paid

£98,953
total paid to children

Gifting & Trusts in 2025: Reclaiming control in an unpredictable tax landscape

How effective is gifting?

Gifting can be an attractive estate planning option because your clients can see their loved ones benefit from their wealth whilst they're alive.

In principle, it is a straightforward concept.
In practice, the rules around making a gift can be rather complex.

Be bold and use as much as you can in exemptions and allowances

Have precision in the timing of gifts

Accept the impact of not letting go

Ask Octopus #1: How effective is gifting as an estate planning strategy?, IFA Magazine, April 2025.

April 2026 : A Game-Changer for Trusts and BR Planning

Agricultural Property Relief and Business Relief qualifying companies (unquoted) from April 2026

£1m combined APR and BR allowance @ 100% inheritance tax (IHT) relief

Above £1m @ 50% IHT relief. An effective IHT rate of 20%.

Opportunity: BR-qualifying gifts into trusts

The £1m covers qualifying unquoted BR investments in the estate on death, gifts and transfers into trust in the seven years before death.

The £1m allowance will refresh on a rolling basis every seven years for lifetime transfers, in the same way as the nil rate band.

Clients settling assets into trusts

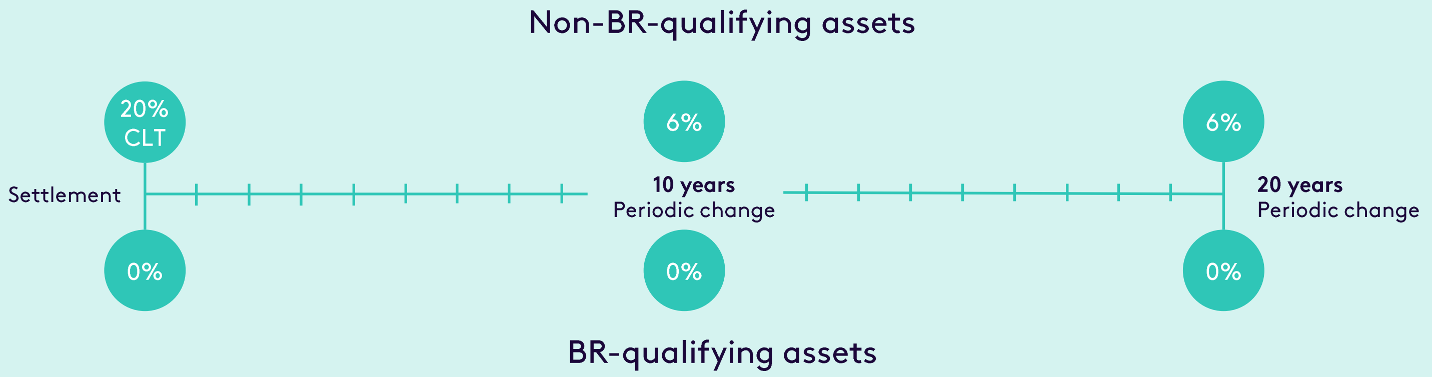
- Louise wants to plan for inheritance tax to leave as much as possible to her grandchildren.
- She's concerned about one of her children's marriage ending in a divorce.
- She would like to settle £600,000 of her existing share portfolio into trust to retain some control whilst planning for her estate.

Louise's adviser explains that, as she has not previously made any gifts or set up any trusts, she can settle the first £325,000 into trust with no charge to inheritance tax.

Clients looking to settle assets into discretionary trusts

A potential solution – for illustration purposes only

- Invest the £1 million planned for trust into a BR-qualifying investment
- Investment becomes inheritance tax free after two years, meaning it could be settled into trust without occurring the 20% of Chargeable Lifetime Transfer.



Business owners

Clients who have sold a business and are worried about inheritance tax

- Alan, 68, isn't in the best of health.
- Sold his manufacturing business two years ago for £3 million.
- Invested half to generate a retirement income.
- Wants to do estate planning with his three daughters in mind.

Alan's adviser suggests that Alan invest £1 million of the cash proceeds from the sale of his business in a Business Relief-qualifying portfolio.

Replacement Relief

The rules

Original asset

New asset

Owned for combined <u>two out of last five years</u>

Maximum three-year window for reinvestment

Meets all BR conditions at the time of sale, replacement and transfer (except for the two-year test)

Proceeds reinvested in BR-qualifying portfolios can qualify for relief immediately

Alan

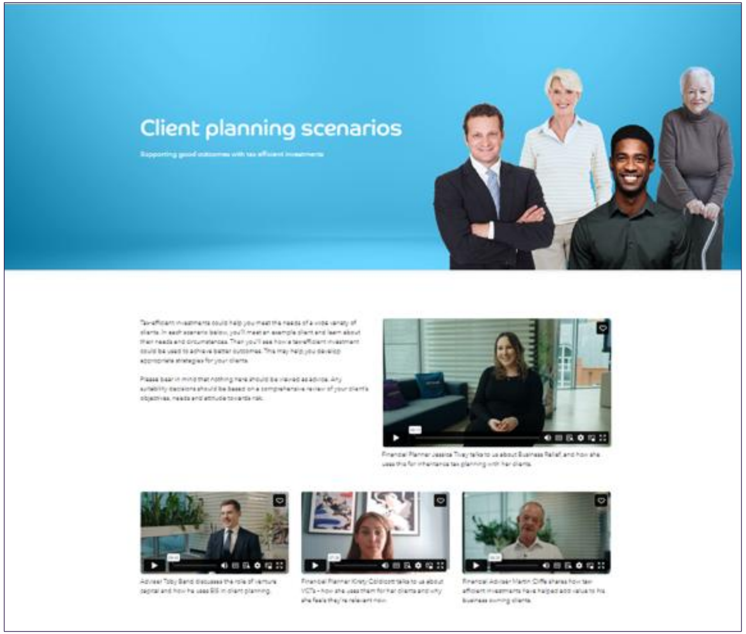
Listed share portfolio	Business Relief portfolio
£1,000,000 invested into a stocks and shares portfolio	**£1,000,000** Invested into Business Relief portfolio

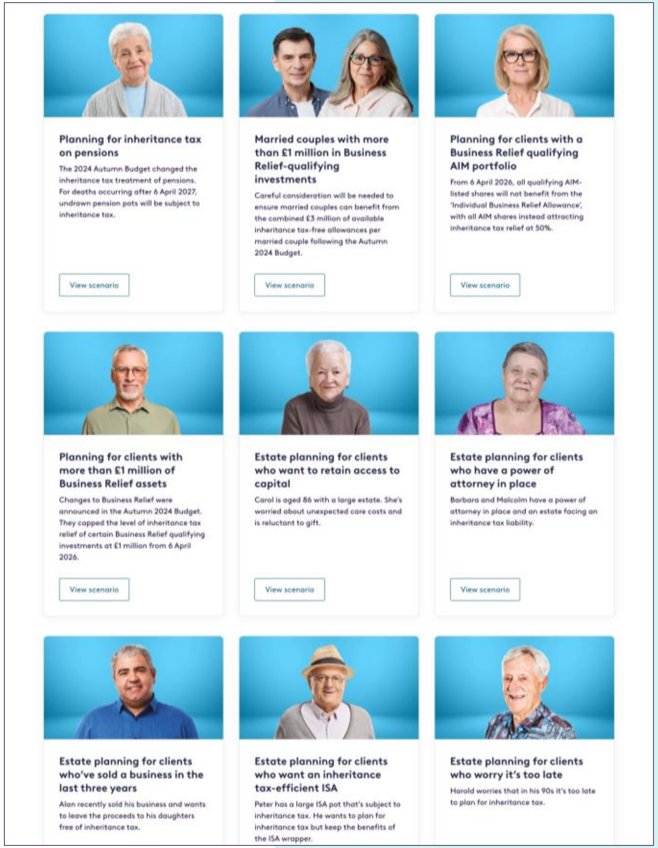
Alan dies after one year

£1,000,000 value of share portfolio	**£1,000,00** value of Business Relief portfolio
£400,000 inheritance tax charged at 40% on Alan's share portfolio	**£0** inheritance tax charge, as replacement relief applies
£600,000 passed to daughters	**£1,000,000** passed to daughters

We have assumed no investment loss or gain in this example, nor the effect of any charges.

Other planning scenarios available on our website





The home of estate planning

Two established services targeting qualification for BR

Octopus Inheritance Tax Service

- Discretionary fund management service that invests in one or more unlisted companies.
- Launched in 2007.
- Aims to deliver a consistent, predictable return of 3% per annum to investors.

defaqto
Single-Asset Return Focused 2024
EXPERT RATED

OITSPlus

- OITSPlus invests in the same unquoted companies expected to qualify for Business Relief (BR) as the Octopus Inheritance Tax Service.
- It includes our two-year insurance cover for eligible advised investors
- Our insurance aims to cover 40% of initial investment to mitigate inheritance tax liability if an investor dies within the two-year qualifying period to achieve relief from inheritance tax.
- No requirement for a medical examination or complicated questionnaire.

OITSPlus insurance cover only applies to eligible deaths. Ineligible deaths, or a misrepresentation in the health declaration could result in the insurer refusing to settle a claim under the insurance policy.

Octopus AIM Inheritance Tax Service & ISA

- A portfolio of 25–30 smaller companies listed on the Alternative Investment Market.
- Launched in 2005.
- Targets significant growth for investors.
- Also available in an ISA.

An Octopus AIM Inheritance Tax ISA is likely to be higher risk than more mainstream stocks and shares ISAs.

The home of estate planning

Sales and Customer team	Intergenerational Planning team	Ask Octopus	The Knowledge Base
Award winning sales and customer team of around 100 people based in our London office and around the UK.	The team is there to help you and your clients pass on as much of their estates as possible to loved ones.	Ask us a technical question about estate planning or inheritance tax.	A suite of IHT whitepapers, webinars, tools and technical support for advisers.

Jasmine Christy
Head of Intergenerational Planning

Thank you

If you need any further information please call us on 0800 316 2067.

More information is also available at octopusinvestments.com

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