Salutation

Address 1

Address 2

Address 3

Post Code

Date

Dear Name,

**Investment Top-up Recommendation**

Following our meeting/ conversation on dd mm, this letter confirms my recommendation for the following top-up investment:

|  |  |  |
| --- | --- | --- |
| Provider | Product Wrapper | Amount |
| Octopus Investments | Inheritance Tax Service (ITS) | £50,000 |

This letter should be read in conjunction with my original recommendation letter of dd mm yyyy, which details the full reasons why this product is suitable and the associated risks which continue to apply.

There have been no material changes in your personal and financial circumstances and capacity for risk from the original suitability report

Or

You have confirmed the following changes to your personal and financial circumstances since the original suitability report:

* Adviser to list e.g. your health has deteriorated, surplus cash etc…

There are no changes to your capacity to risk from the original recommendation.

# Your Objectives & Reasons for this Recommendation

**Objectives**

You want to invest surplus funds which are currently sitting in cash savings and your main objectives are:

* To continue reducing the value of your estate for IHT (Inheritance Tax) purposes, as quickly as possible.
* Whilst you are happy to invest these funds indefinitely, you would like to retain access should you need to draw on the funds. Achieving a modest and predictable level of growth is, therefore, also important.
* You want to keep your investments as simple as possible.

**Reasons for the Top-up**

* As we have discussed, BR investments do not have to be a one-off investment and I explained how it can be part of your ongoing intergenerational planning and that top-ups can be made at different times.
* Octopus ITS is a discretionary managed service that invests into one or more unlisted trading companies that Octopus believes will qualify for BR (Business Relief). Therefore, once you have held your portfolio for at least two years, your investment is expected to be exempt from IHT. This is much quicker than other IHT planning methods, such as gifting, where it would take 7 years for the money to completely fall outside of your estate.
* (Include if investing during a rights issue) As discussed, you will making this top-up under a rights issue and as I have explained, the new shares purchased will have the same ownership period as the shares you already own.

Therefore, as your initial shares were purchased more than 2 years ago, the new shares will automatically qualify for BR and be IHT free.

Or

Therefore, as your original shares were purchased [X] months ago, these shares and the new shares purchased through the rights issue will be BR qualifying in [X] months.

* This is the only type of investment currently available that can provide IHT relief this quickly, which achieves one of your key planning objectives by reducing the value of your taxable estate for IHT purposes as quickly as possible.
* Octopus ITS targets an average return of 3% each year on the amount invested (after deduction of initial charges, dealing fees and AMC). To date, the majority of investors who’ve held their investment for at least two years have achieved the target average return.

This is in part due to the way that Octopus collects its AMC (called the Growth Shield). This does not prevent investment losses but works in the following way to give you a buffer against some of the losses;

* The Growth Shield is Octopus’ annual management charge (AMC) that builds up over time in your portfolio – this is 1% + VAT (1.20%) each year.
* Octopus will only take this AMC when you or your beneficiaries ask them to sell shares but only if the growth target of 3% each year has been met over the lifetime of your investment.
* If your portfolio drops in value, the Growth Shield which has been building up will absorb this reduction in value first before the value of your investment falls. If the investment hasn’t achieved the target return over its lifetime, when shares are sold, Octopus’ annual management charge will be reduced to help make up the shortfall. However, if your portfolio falls in value by more than the value of the accrued annual management charge, the Growth Shield would be used up and the value of the investment to you or your beneficiaries would reduce.
* Based on your latest valuation dated dd mm yyyy you have built up £x in accrued AMC.
* You can access the funds if you need to. Withdrawal requests typically take 10 working days. Although do bear in mind that any IHT relief will be lost on the money taken out.

There are several providers in the market who offer IHT efficient products and we could invest incremental funds in a portfolio managed by a different manager. However, diversification for the sake of it for this portion of your wealth is not appropriate and you wish to keep your financial affairs as simple as possible. Moreover, the Octopus ITS is the largest product in the market offering inbuilt diversification.

I am recommending you continue with Octopus as they are one of the most experienced providers of this kind and have a strong track record and market leading product governance. The Octopus ITS mandate has remained the same from the day it started and there are no plans to change this. To summarise, I believe the Octopus ITS is the most likely product to meet your objectives by providing:

* The fastest possible BR qualification and greatest track record of successfully providing the relief
* Liquidity
* Modest and predictable return

I have enclosed a factsheet which details where your investment will be held and recent performance.

<https://media.octopusinvestments.com/m/349748755c195f99/original/Details-of-underlying-investments.pdf>

# Key Risks

Please refer to my report of dd mm yy for full details of the risks of this product. The key risks are summarised below.

|  |  |
| --- | --- |
| Business Property Relief | BR is awarded on a case-by-case basis at the time of death. It is not guaranteed. Funds withdrawn from the product will no longer qualify for BR. |
| Investment Returns | The target return of 3% net of charges is not guaranteed. Charges will also affect the value of your investment. |
| Liquidity | Octopus ITS invests in unquoted companies and are less liquid than products that invest in stock market listed companies. Withdrawal requests are generally met within 10 working days, but this is not guaranteed. |

# Costs

**Initial Costs**

The following initial charges will apply to your investment of £50,000. Our fee is taken from this amount first and the Octopus’s Initial and Dealing fees are taken from the resulting net investment amounts.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Initial Fee | | |
|  | **%** |  | **£** |
| Initial Adviser Fee | 2.50% | on £50,000 | £1,250.00 |
| Octopus Initial Charge | 2.00% | On remaining £48,750 | £975.00 |
| Portfolio Dealing Fee | 1.00% | On remaining £47,775 | £477.75 |
| Total Initial Fee | 5.41% |  | £2,702.75 |

**On-going (Annual) Costs**

On-going costs are based on the net initial investment of £47,297.25 – this is the amount that will be used to purchase shares in Octopus ITS.

|  |  |  |
| --- | --- | --- |
|  | Annual Fee | |
|  | **%** | **£** |
| Octopus Annual Management Fee | 1.20% **(1)** | £567.56 |
| On-going Adviser Fee | 0.50% | £236.49 |
| Total Annual Fee | 1.70% | £804.05 |

1. The annual management fee is inclusive of 20% VAT. Actual payment of this is deferred until a withdrawal is made from the investment. In addition to this, the annual management fee will only be taken if Octopus Investments achieve returns more than their 3% per annum target.

Please look through the enclosed illustration for details of these charges and how they’ll affect your investment.

# What Happens Next

Please review and sign the enclosed and pre-completed top-up application form and return to me, or I can email you a link to review and submit thisform online. If you have any queries or need us to explain any aspect of this top-up recommendation, please give me a call and I’ll go through this with you.

Your investments and financial planning needs will continue to be reviewed each year.

I look forward to hearing from you in due course.

Yours sincerely,

[Insert name, company, job title]