



A SIMPLE  
SOLUTION TO  
INHERITANCE  
TAX PLANNING

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THE THOUGHTFUL INVESTOR

AIM PREMIUM PORTFOLIO SERVICE



## SERVICE BENEFITS

- An Inheritance Tax-free investment after just 2 years, potentially saving 40% tax
- A diverse portfolio aiming for steady long term gains with controlled risk and a responsible investment approach
- Overseen by an experienced, specialist investment team
- Investors are able to request access to their investment at any time
- Potential to benefit from a range of other tax incentives

**The AIM Premium Portfolio Service (APPS)** has been designed by Castlefield to enable you to pass on your wealth in a tax-efficient way, whilst taking a responsible approach to investing.

Broadly speaking, Inheritance Tax (IHT) is currently charged on death at a rate of 40% of the value of taxable assets in excess of an individual's or couple's IHT allowance. The APPS will establish and actively manage a diversified portfolio of Business Property Relief (BPR) qualifying shares traded on the London Stock Exchange's Alternative Investment Market (AIM). The relief becomes available once the investment has been held for two years. Any BPR qualifying investment falls outside of your pool of assets (or 'estate') for IHT purposes; hence can be ignored when calculating IHT on death. So, for every £1 of your investments that would currently suffer 40p tax on death, no such tax will be payable after being invested in the APPS for just 2 years.



# THE IDEAL INVESTOR

**The APPS is ideally suited to an individual or couple who:**

- Have potentially taxable assets on death worth at least £325,000 (for an individual) or £650,000 (for a couple)
- Have funds available now for investment of at least £50,000
- Are keen to minimise their potential inheritance tax liability as early as possible
- Want to keep control of their investment and have access to it if required
- Want their investment to be carefully managed by an experienced investment team
- Want a simple investment with no need to establish complicated trust arrangements or pay large legal fees, as with many other IHT planning techniques
- Have some experience of investment and are prepared to invest at least some of their wealth in shares that may go down in value as well as up
- Want their investment manager to take account of their personal values

# A PRUDENT STRATEGY

Some AIM shares can have a more volatile share price and carry a higher risk than shares listed on the main market of the London Stock Exchange and so this service is not for everyone.

However, by careful share selection and ongoing management, we aim to reduce the risk the portfolio as a whole is exposed to as far as possible. We aim to do this by emphasising investment in established businesses, with credible business models, rather than by investing in new start ups, whose success may well depend on unproven technologies or untried management teams.

## **The team's remit is to:**

- Adopt a strict and prudent investment strategy designed to minimise and balance potential risks
- Achieve long term capital growth, net of charges
- Invest in a wide portfolio of AIM shares
- Invest predominantly in well established AIM companies
- Select companies from across a broad spectrum of underlying sectors – from support services to engineering, from software companies to general retailers, from telecoms companies to healthcare specialists

# OUR INVESTMENT PROCESS

## HOW WE'LL ACTUALLY MANAGE YOUR MONEY

We fundamentally dislike unnecessary risk and take steps to avoid it. All of the AIM shares potentially available to invest in are initially subjected to a number of filters, designed to screen for factors such as the minimum size of the underlying company, profit history, profit potential and quality of management. Our investment style is based on selecting stocks, ensuring adequate, but not excessive, portfolio diversification, with which we and our clients can feel comfortable. Fundamental analysis is important to us in this, and we rarely rely on the opinion of others but conduct our own stock research. We look for key criteria and characteristics we think are important, including healthy fundamentals, marketplace strength and/or a catalyst for change. Where we isolate as yet unrecognised value, we believe that the long term will see respectable performance. Also, it is clearly important to ascertain whether the companies on this list are potentially eligible for BPR. This results in a 'Master List' of potentially viable AIM shares for inclusion in client portfolios.



An integral part of how we invest money involves the taking of active initial and ongoing views with respect to non-financial critical success factors – broadly grouped into environmental, social and governance (ESG) criteria. We believe that our approach to ESG criteria is one of our key strengths, as they are embedded in our investment process. Our premise is that investment returns for clients will be improved by looking beyond traditional, strictly financial criteria. We assess opportunities across a wide range of ESG criteria. We believe that companies whose management teams are attuned to business risks, in areas such as the environment or the treatment of their workforce, are more likely to avoid major problems which will otherwise impact on an investment in their shares. Our aim is to avoid investing on your behalf in companies that are involved in disasters, in both the human and financial senses.

With this in mind, we've developed a proprietary investment selection system to assess the merits of competing investment choices. It provides a consistent framework for assessing all investment opportunities that we consider for clients. It's not a filter or "screen", but a responsible investment process which incorporates four main criteria to assess both financial and non-financial attributes that we think can affect long-term investor returns:

## **B**

### **Business & Financial**

- What kind of returns or performance target does the investment aim to achieve?
- 

## **E**

### **Environmental & Ecological**

- What is our assessment of any claims made on an environmental theme?
- 

## **S**

### **Positive Social Influence**

- Does the investment aim/claim to have a positive social influence and if so how?
- 

## **T**

### **Transparency & Governance**

- Are the aims observable and/or measurable?
- Can we understand how it's supposed to generate the expected returns?

The full integration of financial and ESG considerations into our way of working is one of our strengths and sets us apart from other companies who often have separate investment and ESG teams (or no ESG capability at all). As a result, even though a number of our clients do not specify that they wish specifically to exclude investment in certain areas (such as armaments or tobacco) all our clients can be confident that each investment we make is subject to detailed analysis across a wide range of ESG-related risk factors, or what we term 'responsible investment'. That said, you can also stipulate anything additional you wish for us to take account of by way of an Ethical Questionnaire. This would provide us with a list of approved and excluded stocks specific to you.

The final step in our process is to construct a portfolio for each client, incorporating exposure to diverse business sectors and types of company, to smooth out the overall long-term performance of the portfolio. We also consider which shares offer the best value at the time, based upon their current share price, market conditions and future prospects.



# QUESTIONS & ANSWERS

## HOW MUCH CAN I INVEST?

The minimum investment is £50,000 and there is no maximum. This service is designed for lump sum investments rather than regular contributions.

## HOW MUCH SHOULD I INVEST?

An AIM portfolio should form part of a comprehensive inheritance tax mitigation strategy. You should work closely with your usual financial adviser to establish how much you should invest in the APPS.

## WHAT ARE THE CHARGES?

Please refer to our current charges schedule for a full breakdown of our fees and charges. Your financial adviser will tell you about their own fees separately.

## WHEN CAN I ACCESS MY INVESTMENT?

You have access to your portfolio at all times. So if your circumstances change, you can cash in your portfolio completely, make additional contributions to it, or withdraw part of your funds as you wish (subject to the £50,000 minimum remaining in force). Be aware, however, that this service is intended as a long-term investment, as the cost associated with the initial investment could well outweigh the benefits if you try and realise your investment in the short term. Also, the value of the capital returned to you at any time will depend on the value of the shares your portfolio is holding on the day they are actually sold. This value could be less than or more than your original investment.



## WHAT IS AIM?

AIM was established in 1995 to allow smaller, growing companies to float their shares more easily and cost effectively than is the case for the main market. AIM investors benefit from a breadth of investment opportunities, spanning 39 sectors. In 2019, the shares of more than 820 companies traded on AIM, with a combined market value of £107 bn.\*

\* LSE AIM Primary and Secondary Markets Factsheet Sept 2020'

## WHAT IS BUSINESS PROPERTY RELIEF (BPR)?

Business Property Relief (BPR) was originally introduced by the Government to enable business owners to pass on their business intact to future generations, without the inheritor having to pay a large inheritance tax bill, which could jeopardise the future of the business if no immediate funds were available to pay the tax.

It has evolved over time to cover a number of 'qualifying properties', including businesses themselves, land, buildings, plant or machinery used, plus unlisted shares, including certain AIM quoted shares. After two years, any asset that qualifies for BPR falls outside of the owner's or investor's 'estate' for inheritance tax purposes.

## HOW LONG DO I HAVE TO HOLD MY SHARES IN THE PORTFOLIO?

IHT exemption is only available if the investments have been held for a minimum of two years. After the two year holding period the portfolio should be retained and provided it is still held at the date of death, it will no longer be considered part of your estate for IHT purposes. If we sell a share within the portfolio, which qualifies for relief, the proceeds continue to qualify as long as we use the funds to purchase another qualifying share.

## WHAT IF I DIE WITHIN THE TWO-YEAR HOLDING PERIOD?

The portfolio will not benefit from BPR and therefore the assets will become part of your taxable estate. However, the assets may be transferred to a surviving spouse without triggering an IHT liability, or restarting the two-year qualifying period. It may be possible to insure against this short-term risk by arranging life cover.

## CAN I TRANSFER MY SHARES AFTER TWO YEARS?

Although the shares may be gifted after two years, they will then become liable to IHT if the portfolio is sold by the recipient within seven years.

## RISK WARNINGS

- By their nature AIM shares tend to have a more volatile share price and carry a higher risk than shares listed on the main market of the London Stock Exchange. The value of your investment could fall as well as rise and you might not get back the full amount invested
- With this in mind, an investment in the APPS should only be made by those investors with financial security independent of any investment made
- Don't forget that past performance is not a reliable indicator of future results
- We can not and do not guarantee that all investments made will qualify for the tax relief and exemptions
- Inheritance Tax and Capital Gains Tax rules may change in the future
- If qualifying AIM shares are disposed of prior to the expiry of the two-year period this will cause them to be disqualified for 100% IHT relief
- The APPS is a discretionary investment management service and subject to our Terms of Business, which you will need to read, understand and agree to
- If shares are disposed of above their original cost, this may lead to a separate liability to Capital Gains Tax
- The rationale for the APPS is largely dependent on current tax legislation, which may change in the future

## THE NEXT STEP...

To understand fully how the AIM Premium Portfolio Service will help you to achieve your goals we suggest that you discuss its features and benefits with your financial adviser. If you jointly decide that you'd benefit from becoming a client, we look forward to being of service to you.



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Please remember that the value of investments and the income derived from them can go down as well as up and that past performance is not necessarily a guide to future performance. Therefore, any decision to make an investment should not solely be based on an assessment of past performance figures.

Please also bear in mind that the information in this document is not intended as an offer or solicitation to buy or sell securities or any other investment or banking product, nor does it constitute a personal investment recommendation.

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