

Could AIM help your clients who have sold their business in the last three years?

Find out how this works in our client example below:

► Executive summary

Family businesses often qualify for business relief and can be passed on to beneficiaries free of inheritance tax. If a client chooses to sell their business, they can lose this exemption if the sale proceeds remain in cash.

Fortunately, if the business has been sold within the last three years the client could choose to reinvest some, or all, of the proceeds into an AIM portfolio. In this scenario, the AIM portfolio would immediately qualify for inheritance tax relief if the client passed away.

► A little about Sarah

Sarah had successfully built Josa Gardens from little more than an allotment to a successful company with three garden centres.

Sarah's children weren't interested in taking over the business as both had their own flourishing careers. Sadly, Sarah's husband, John, suddenly passed away and Sarah made the decision that it was time to hang up her gardening gloves for good. Shortly after putting Josa Gardens up for sale, Sarah received an offer of £1 million which she accepted.

► The problem

Sarah and her late husband John had built up plenty of savings. This meant Sarah could enjoy an easy retirement. However, following discussions with her financial adviser, she realised that the value of her estate was significantly above her inheritance tax allowance thresholds.

The shares in Josa Gardens had qualified for 100% inheritance tax relief, but the sale proceeds did not.

► The solution

Sarah met with her financial adviser who assessed her objectives, risk appetite and capacity for loss. After discussion, the financial adviser recommended that she reinvest the proceeds back into business relief qualifying assets, in Sarah's case a portfolio of AIM shares, as she had plenty of assets and was willing to accept a higher level of risk.

The adviser explained that as it had been less than three years since the sale of Josa Gardens, the new AIM portfolio would immediately qualify for business relief.

One year after investing in the AIM portfolio, Sarah sadly passed away. As business relief tax legislation remained the same and Sarah held the AIM shares at death, her investment qualified for business relief in full despite only holding the AIM portfolio for one year.

Turn over to see how this works in numbers

The value of investments can fall as well as rise. Investors may get back less than invested. Past performance is not a reliable guide to the future. Charles Stanley is not a tax adviser. Tax treatment depends on the individual circumstances of each person or entity, and may be subject to change in the future.

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How an AIM IHT Portfolio can pass an extra **£384,404** to Sarah's beneficiaries.

Sarah



Sarah receives £1,000,000 following the sale of her company

Cash held in the Bank

£1,000,000

Into bank with no fees or charges

Charles Stanley AIM
IHT Portfolio

£990,000

Invested into service after
1% dealing fee

Sarah dies after one year

£1,050,000

Value assuming a 5% interest rate from
the bank

IHT charge
£420,000

£630,000

Passed to beneficiaries

£1,024,650

Value assuming 5% growth but with
1.25%+ VAT portfolio management fee

IHT charge
£0

£1,014,404

Passed to beneficiaries after
1% dealing charge to sell the portfolio

This example is for illustrative purposes only and it assumes that Sarah's inheritance tax nil rate bands have been used. Any growth or losses illustrated are likely to differ. This example does not include any financial adviser fees. The Charles Stanley AIM service has an Annual Management Charge of 1.25% + VAT and 1% dealing commission. Portfolios over £1 million have lower charges which have not been illustrated. A small proportion of the Charles Stanley AIM portfolio may be held in cash which will not qualify for business relief at the time of death.

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