The Investec Wealth & Investment AIM Portfolio IHT Plan

Out of the Ordinary

Investec
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What is The Investec Wealth & Investment AIM Portfolio IHT Plan?

The Investec Wealth & Investment AIM Portfolio IHT Plan ("the AIM IHT Plan") is a fully regulated investment product that invests in shares listed on the London Stock Exchange's Alternative Investment Market (AIM).

The AIM IHT Plan can reduce the Inheritance Tax (IHT) liability on assets passed on to the next generation and also aims to deliver outstanding long-term investment performance.

Under current UK tax rules exemption from IHT is available for shares in a company qualifying for Business Relief (BR) that have been held for at least two years. The AIM IHT Plan invests in qualifying companies traded on AIM, so the shares held should be exempt after that time.

The AIM IHT Plan was established in 2002 and is managed by a dedicated and highly experienced team ("the Managers"), backed by Investec Wealth and Investment ("IW&I"), one of the UK's largest wealth management companies and a subsidiary of Investec plc, a FTSE 250 company.

Who is the AIM IHT Plan aimed at?

The AIM IHT Plan is primarily aimed at individuals who are concerned that a considerable proportion of their wealth may not pass to the next generation because of an IHT charge on their estate.

They are looking for an investment option that can reduce their IHT liability and potentially deliver strong performance.

They are interested in investing in an established product with a proven track record and a dedicated team of investment specialists. They are either a current client of IW&I or use an Independent Financial Adviser ("IFA").

It is important to note that the AIM IHT Plan should be seen as a high risk, long-term investment and that clients should receive appropriate advice before investing. It is important that our clients fully understand the risks involved, and that the product is suitable for their requirements.

Advice about the suitability of the AIM IHT Plan can be obtained from any IW&I office or from an IFA. We are happy to accept applications from clients who have had the benefit of advice from an IFA about the suitability of the AIM IHT Plan.

An alternative to a trust

The conventional approach to saving on IHT often involves setting up a trust. However, this can prove an expensive and time-consuming exercise and you may have to wait as long as seven years for your estate to fall outside the remit of IHT.

There is also the possibility of losing access to your investments when you consign them to a trust and this can present difficulties if your circumstances change.

The AIM IHT Plan is a tax-efficient, flexible and cost-effective alternative to setting up a trust.

It has been developed to enable investors to reduce their potential IHT liability after only two years – provided the AIM shares continue to be held thereafter.

You retain control of your assets at all times, are able to make further contributions if you wish and have the possibility of earning equity related returns.

Minimum subscription

The minimum subscription is £100,000. There is no maximum. Additional contributions of a minimum of £25,000 (or the full annual ISA contribution) can be made at any time after the initial investment.

Individual Saving Accounts (ISAs)

ISAs can be set up within or transferred into the AIM IHT Plan. The resultant holdings in AIM companies should then qualify for BR as well as being exempt from income tax on dividends and capital gains tax on profitable disposals. The Managers can also accept transfers from other ISA providers, subject to IW&I's standard terms and conditions.

How are savings on Inheritance Tax achieved?

Under current tax rules, unlimited exemption from IHT is available on shares qualifying for BR held at the point of death, provided that the investor has held them for at least two years.

Most (but not all) companies traded on AIM, with the exception of those principally engaged in property or investment activities, are qualifying companies eligible for BR. The qualifying shares in the portfolio are classed as business assets, attracting exemption from IHT after two years under current legislation.

Investors can withdraw all or part of a portfolio at any time but the IHT exemption is only available on the qualifying shares that are held at the date of death.

The AIM IHT Plan should therefore be seen as a medium to long-term investment to be held for at least five years. On death the portfolio can either be sold or transferred to a spouse without the loss of the IHT exemption.

The AIM IHT Plan investment policy

The Managers have consistently followed a prudent stock selection procedure since inception of the AIM IHT Plan in 2002.

The team only invests in established companies which have been in existence for at least five years and have been on AIM for at least a year. Additionally, the team looks for companies with:

- a focused and experienced management team
- an established and proven track record
- a sound balance sheet
- strong cash flow
- the ability to pay dividends
- liquidity in the shares.

New AIM IHT Plan portfolios will usually contain a minimum of 20 and a maximum of 40 companies depending on the amount invested. These will be spread across a variety of sectors, enabling the Managers to reduce stock specific risk whilst maintaining a careful watch over each company.

The Managers monitor the performance of the shares selected for the AIM IHT Plan closely. Over time, AIM IHT Plan holdings can become a significant proportion of a portfolio company's shareholder base, allowing the Managers to engage directly with the management of investee companies and ensure that any concerns can be raised and addressed.

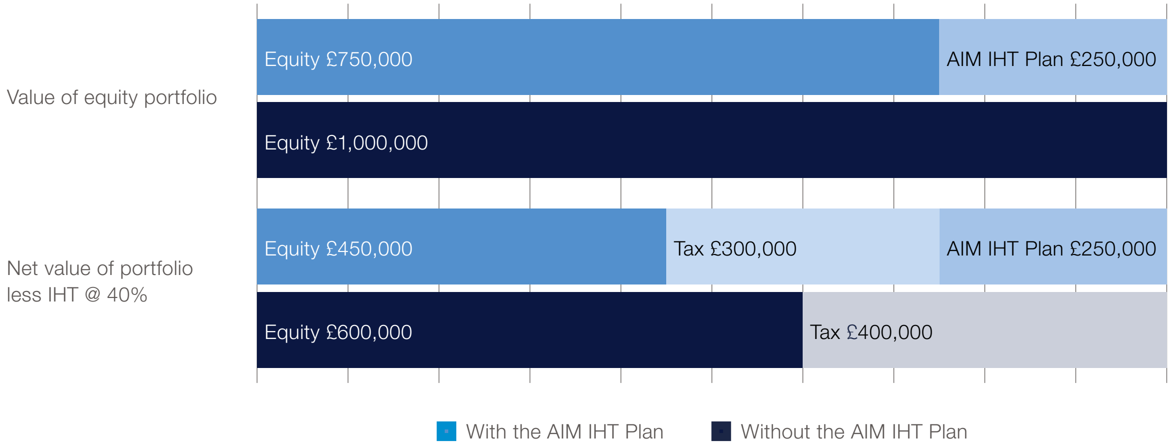
Subscriptions to the AIM IHT Plan will usually be invested within 14 days of receiving instructions and cleared funds.

- More information on the AIM IHT Plan, including examples of current investments in AIM companies can be **found by clicking here**
- The most recent AIM IHT Plan Quarterly Report can be **found by clicking here**

An example of the possible savings

Mrs Smith has an estate that includes an equity portfolio worth £1m. She has invested £250,000 via the AIM IHT Plan. Assuming the nil rate band is taken up by the value of other assets, such as the family home, the value of what she is able to pass on to her descendants will have benefitted after two years as follows, assuming that growth in the value of the portfolio only matches costs:

In this example, Mrs Smith is able to pass on an extra £100,000 to her family by investing £250,000 in the AIM IHT Plan.



Risks

Please note that the rate of IHT, the amount of the nil rate band and the available exemptions could change, and the value of the IHT saving depends on the circumstances of the investor. However, BR has been in place for a number of years under various Governments and changes to tax legislation are rarely retrospective. You should take advice from your accountant or other tax adviser about your personal tax situation.

The AIM IHT Plan should be regarded as a high risk, long-term investment.

Also please be aware that:

- AIM company shares tend to be relatively illiquid. It may be difficult to sell them or obtain reliable information as to their value and the risks to which they are exposed
- A company on AIM can elect to revert to private status, in which case the shares may become impossible to trade or value and the protections offered by AIM will cease to apply
- You should only invest in the AIM IHT Plan if you have financial security independent of any investment made
- The value of shares purchased and any income derived may go down as well as up and you may not get back the full amount invested
- The tax relief available may change at any time. IW&I does not guarantee that all investments made will qualify, or continue to qualify for tax relief
- IW&I does not guarantee the timescale for fully investing portfolios or that portfolios will be fully invested at all times in the future
- Past performance is not a guide to the future.

Please note that IW&I does not prepare an IHT computation on death, although we will provide the estate's adviser with all the necessary information regarding share transactions and dividend receipts to enable this to be done.

Performance

IW&I strives to deliver exceptional performance for our clients. On average, AIM IHT Plan portfolios have generated excellent returns over a number of years after management costs and fees.

Quarterly performance reports can be found on the IW&I website or **by clicking here**. These figures illustrate the average performance after costs of all AIM IHT Plan portfolios under active management over the relevant period.

Service description

It is extremely important that clients understand the services that IW&I offers.

The AIM IHT Plan is run on a discretionary managed basis. Discretionary Portfolio Management is often preferred by clients as it simplifies what can be a complicated investment management process. A clear explanation follows:

Discretionary Portfolio Management – this means that IW&I manages your portfolio in line with specified investment objectives as agreed with you and within your particular risk profile. IW&I has full authority at our discretion to buy and sell particular shares, funds and investments without prior reference to you, to exercise voting rights and to enter into any kind of transaction or arrangement for your account which is in line with agreed criteria.

Fair dealing policy

Shares are usually acquired or sold in tranches for clients as and when the investment in the AIM IHT Plan is made or withdrawn. These transactions are normally put through the market without difficulty.

However, from time to time it is necessary to deal with relatively large quantities of stock on behalf of a large number of clients, for instance when a company is acquired or if shares need to be sold when an investment transfers to a Main Market listing.

The resulting cash is then redeployed as soon as possible in an alternative stock or stocks to preserve the IHT exemption. It is not always possible to buy (or sell) a specific stock in the necessary amounts in one transaction, due to illiquidity in that company's shares at that time. Consequently, the Managers will prioritise those clients with the largest weightings of cash when purchasing shares, or if a stock is being sold, those with the largest weightings of that share. This may mean that some clients pay or receive different prices for an individual stock if the price changes between trades, even if the transactions take place over a relatively short time span.

Cash balances

From time to time, usually as a result of a sale of shares, there may be a cash balance awaiting redeployment in a replacement AIM stock or stocks. Due to liquidity constraints, it may take some time for this cash balance to be invested. Any such cash balance will not qualify for BR and therefore not be exempt from IHT until it is reinvested in shares which meet the BR criteria.

Dividends

Dividends and interest are collected on your behalf and these will normally be used to pay ongoing fees or reinvested in the AIM IHT Plan. Please note that when dividends are re-invested the resulting new shareholding will begin a two-year qualifying period during which time it will not be exempt from IHT.

Charges

IW&I's standard terms and conditions apply to the AIM IHT Plan, and the fee structure is set out in the relevant rate card, which can be found **by clicking here**.

We look forward to meeting with you to discuss the AIM IHT Plan in greater depth

Team

Barry Anysz
FCSI

Divisional Director

Barry is Director in charge of the AIM Division, which manages the AIM IHT Plan on behalf of private clients. He established the AIM IHT Plan in 2002.

Read full biography

Simon Cleaver
MCSI

Senior Investment Director

Simon has 20 years experience of small cap investment and joined IW&I in 2014.

Read full biography

Mark Northover
Chartered FCSI

Senior Investment Director

Mark started his career in the markets in 1987 and has been managing tax efficient investments for more than 20 years.

Read full biography

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