

Protect your ISA investments from **Inheritance Tax**



With the gains that property prices have made, combined with the government freezing the nil rate band at £325,000 until at least 2015, more and more people are becoming liable for inheritance tax (IHT). Chelsea could help ensure you're not one of them.

Inheritance tax has long sat uncomfortably with many investors. After all, it doesn't seem fair that after a lifetime of paying taxes Her Majesty's Revenue and Customs (HMRC) can then claim up to 40% of your hard-earned savings upon death. For investors wanting to protect their assets and pass them on to their loved ones, a new range of financial products can shelter your ISA assets from IHT.

In August 2013 the government passed legislation allowing shares listed on the AIM market to be purchased within an ISA. AIM is the junior London market and provides a lower-cost way, typically for smaller companies, to achieve a stock-market listing. Many AIM shares are also eligible for a tax break called business property relief (BPR). BPR qualifying investments are excluded from your estate for inheritance tax purposes, provided that they have been held for **at least two years prior to death**. This means that ISAs just became even more tax efficient!

The **Downing AIM Estate Planning ISA** combines Downing's considerable expertise in managing small-cap money with the above mentioned tax breaks, to produce a portfolio that has the potential to generate positive returns, while sheltering your ISA from inheritance tax. While small-cap stocks typically outperform large-cap stocks over time, they are not generally associated with capital preservation, and should be regarded as high risk. However, Downing have added an insurance feature where they will absorb the first 20% of any losses, on death, during at least the first two years of the product.

KEY FEATURES

- Retain ISA tax benefits plus full IHT exemption after two years
- Access to capital at any time
- Proven investment strategy that historically has held up well in tough markets (sister service has returned 74%* over two years)
- 20% downside protection on death in the first two years for those under 90 years old
- Managed by Judith McKenzie, whose OEIC, Downing Active Management, has been top quartile during her tenure**



“ The Downing AIM Estate Planning ISA, while not without risk, could provide a convenient way for investors to protect their ISA assets from inheritance tax ”

HARRY DRISCOLL
Senior Research Analyst, Chelsea

HOW CAN THE DOWNING AIM ESTATE PLANNING ISA WORK FOR YOU?

Below is an example of how this product might work with a £50,000 investment when compared with a regular ISA:

DOWNING AIM ISA VS REGULAR ISA***

	Regular ISA	Downing AIM ISA
Value of investment after 2 years	£50,000	£50,000
40% Inheritance Tax deducted	£20,000	£0
Value passed to beneficiaries	£30,000	£50,000

WHAT ARE THE RISKS?

- Tax relief is not guaranteed: tax rules can change, which could affect relief from IHT, and tax reliefs are subject to personal circumstances.
- You may lose money: the Downing AIM ISA is higher risk than many other investments.
- Companies quoted on AIM normally involve high risk and the level of growth will depend on the performance of the companies in your portfolio.
- Investment duration: investments in the Downing AIM ISA are designed to be held for the long term.
- Your ISA may be difficult to sell: the shares of AIM companies tend to be harder to sell than those of large companies. This means that if you decide to make a withdrawal or transfer out you may not be able to sell immediately and you may have to accept a price that is less than the real value of the companies.
- Past performance is no guide to the future. Chelsea do not provide any investment advice so if you require individual investment guidance you should seek expert advice.

HOW TO INVEST?

- Chelsea are offering a market-leading **4% discount up until 30th November 2014**. Any applications received thereafter will receive a 3% discount on the standard initial charge of 5.5%.
- The minimum subscription is £50,000, therefore it is only suitable for ISA transfers. However, once invested, any subsequent transfer or top-up can be any amount.
- If this product is of interest please call 020 7384 7300 to request a brochure. Please make sure you read the brochure in full and understand the risks involved before you make any investment decisions.

*Period up until June 30th 2014. Past performance should not be used as a guide to the future.

**Source: Analytics 18/09/14.

***Assuming the investor's estate is worth over £325,000 and ignoring investment performance and charges.