Inheritance Tax Portfolio Service

Collins Stewart
Wealth Management

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Wealth management excellence, every day

Collins Stewart Wealth Management is a leading wealth manager with an absolute focus on preserving and growing your wealth through excellence, every day.

Our range of sophisticated wealth management investment services, including financial planning, portfolio management, stockbroking and investment funds, are tailored to suit your individual needs and requirements.

Managing and administering £5.8bn* of assets through our international network of offices, we are part of Collins Stewart Hawkpoint plc - a leading financial advisory group listed on the London Stock Exchange.

*As at 31/10/09

An IHT service designed to suit your needs

Our Inheritance Tax Portfolio Service is designed to help reduce a potential Inheritance Tax (IHT) liability whilst achieving equity related returns. This is achieved via a diversified portfolio of established, profitable companies selected from the London Stock Exchange's Alternative Investment Market (AIM).

This bespoke discretionary service is selected and monitored by a Manager with specialist expertise and a proven track record of generating returns from investment in AIM companies.

Why invest in the Inheritance Tax Portfolio Service?

Individuals who have generated significant wealth may be concerned that a high percentage of their estate will be lost to future generations due to Inheritance Tax. The Collins Stewart Inheritance Tax Portfolio Service has been designed to provide a simple solution to this problem.

How is inheritance tax exemption achieved?

Most AIM shares qualify for 100% Business Property Relief and once held for two years are effectively no longer part of an estate for Inheritance Tax purposes. This compares to seven years when making a potentially exempt transfer.

Simply reassuring

The advantages of the Inheritance Tax Portfolio Service

- The ability to pass more of your accumulated wealth on to your beneficiaries by reducing the amount of Inheritance Tax payable.
- The comparative simplicity compared to other Inheritance Tax saving schemes providing one of the quickest ways of moving assets outside your estate for Inheritance Tax purposes.
- The ability to retain full control and realise the portfolio at any time if circumstances change.
- The avoidance of costly and complicated trusts and insurance based solutions.
- A specialist manager with a proven track record of generating returns from investment in AIM companies.

The disadvantages of the Inheritance Tax Portfolio Service

- Although the objective will be to grow capital this cannot be guaranteed and investors may not get back the full amount invested.
- By their nature AIM stocks tend to have a more volatile share price and may be vulnerable to greater capital losses.
- AIM shares tend to be relatively illiquid and therefore may be difficult to deal in.
- Inheritance Tax is a complex issue and the current rules may change in the future.
- Due to its objective the portfolio is likely to be fully invested at all times and would be exposed to a stock market fall.

Saving potential

Example of possible savings

An individual has assets, including an equity portfolio worth £1 million from which £250,000 is invested in the Collins Stewart Inheritance Tax Portfolio Service. Assuming the nil rate Inheritance Tax band is utilised against other assets, such as the family home, the estate will benefit after two years even if there is no growth in the value of the portfolio as follows:

In this example the Collins Stewart Inheritance Tax Portfolio Service would have increased the amount that can be passed to the beneficiaries by £100,000, as the AIM shares valued at £250,000, are excluded from the Inheritance Tax calculations.

	Without Collins Stewart IHT Portfolio Service	With Collins Stewart IHT Portfolio Service
Value of equity portfolio	£1,000,000	£750,000
Value of AIM portfolio	-	£250,000
Less: IHT	£(400,000)	£(300,000)
Net value of portfolio	**£600,000**	**£700,000**

The alternative investment market (AIM)

AIM was launched by the London Stock Exchange in 1995 specifically to meet the needs of smaller, growing companies. There are approximately 1,600 companies traded on AIM with a combined market capitalisation of circa £60 billion. AIM has become attractive to a wide range of companies at different stages in their development and covers a broad range of sectors.

Although investing in AIM is considered high risk, the increasing number of proven and profitable businesses has reduced this risk. In addition, over 200 companies have moved from the Official List of the London Stock Exchange to AIM, including a number of well-established businesses.

A tailored selection

Portfolios are individually tailored to meet the needs of each client, drawing on thorough research, a disciplined investment process and structured risk controls. We are committed to personal service based on a clear and simple charging structure.

Specialist expertise

As a leading AIM advisor and broker Collins Stewart has a close working knowledge of AIM, supported by a highly experienced team of analysts, proprietary valuation models and research publications.

Your investment manager

Sean O'Flanagan started his investment management career at BWD Rensburg plc (since renamed Rensburg Sheppards plc) in 1998. In 2002 he joined Unicorn Asset Management Limited and was responsible for creating one of the largest and most successful AIM based Venture Capital Trust divisions in the UK (source: taxefficientreview.com). Sean joined Collins Stewart in 2006 to launch the Inheritance Tax Portfolio Service and has an intimate knowledge of smaller companies and the Alternative Investment Market.

Paul Parker has over ten years of investment management experience joining NatWest Stockbrokers Limited in 1996 and moving to Collins Stewart in 2001. He has in-depth knowledge and understanding of private client portfolios, managing funds for high net worth individuals, pensions, trusts and charities.

Prudent precision

Investment policy

Collins Stewart follows a strict and prudent stock selection process. A typical portfolio will hold a minimum of 15 companies spread across a variety of sectors enabling the Manager to maintain an intimate knowledge of the portfolio whilst reducing stock specific risk. Generally the stocks are chosen on a conservative basis for their medium to longterm potential.

We undertake our own fundamental research before reaching an investment decision and seek to:

- Adopt a pragmatic and conservative approach focusing upon proven, established, cash generative business models.
- Identify simple, scalable and unique businesses with leading market positions and experienced management teams.
- Focus on the strength of companies' balance sheets and ability to pay progressive dividends thereby safeguarding capital.
- Analyse the market position to assess the barriers to entry and the sustainability of returns.

We apply strict screening criteria before making an investment in this service and seek to invest in businesses that have the following characteristics:

- Profitable
- Cash generative
- Strong balance sheet
- Pay a dividend
- Proven track record
- Simple and scalable business model
- Strong financial and operational controls
- Established market position
- Experienced and committed management
- Sustainable and predictable growth

Questions and answers

What is the minimum and maximum that I can invest?

The Service is specifically designed for investors whose estate is expected to be valued in excess of the threshold for Inheritance Tax. The minimum investment is £50,000. There is no maximum.

Do I need to have an existing portfolio?

Whilst this is not a prerequisite, previous knowledge of the stock market and the associated risks and rewards is desirable. It is also expected that additional savings and/or investments be retained independent of the Inheritance Tax Portfolio Service.

How do I apply?

If you would like to invest simply complete and return the Client Questionnaire enclosed with this brochure. If you are not an existing Collins Stewart client you will also need to supply proof of identification. Copies of the Terms of the Service are enclosed together with a list of the charges. The completed questionnaire should be returned to Collins Stewart Europe Limited, 88 Wood Street, London, EC2V 7QR marked for the attention of Sean O'Flanagan. Funds can be sent with the questionnaire or once we have acknowledged that your account has been set up.

How will I be informed of the progress of the portfolio?

We shall keep you informed of developments by sending contract notes when we deal and by providing half yearly formal valuations, which shows performance. Ad hoc working copy valuations can be produced at any time and clients are encouraged to contact us to discuss their portfolio whenever they wish. We are happy to arrange regular face-to-face meetings and, indeed, encourage it.

What charges are payable?

Detailed information of the fee structure is provided in the schedule of charges.

What if an investee company transfers from AIM to the Official List or is acquired by another company?

Providing that it is replaced by another qualifying AIM company the holding period continues.

Questions and answers …*contd.*

What if I die within the two-year holding period?

Once probate has been obtained the portfolio can be transferred to the investor's spouse without restarting the qualifying period. If this is not possible the portfolio will be treated in the same manner as if invested in companies quoted on the London Stock Exchange.

What if the Chancellor changes the rules regarding relief for AIM companies?

There is always the possibility that the Chancellor may change the tax status of AIM. The precise impact will depend upon the nature of any change made. However we believe that the underlying investments are attractive and will represent fair value even if there are no tax advantages so the loss of tax breaks should not have a long-term detrimental affect on their value.

What if I need access to the funds?

You retain full ownership of the portfolio and if you need access to your funds or change your mind, capital remains accessible at all times. Subject to market conditions you can expect to receive funds within 14 days.

Who can I speak to for more information?

You may speak to your Financial Adviser or you can call Sean O'Flanagan or Paul Parker at Collins Stewart on 020 7523 4509.

Contact Collins Stewart Wealth Management

If you are looking for Inheritance Tax Portfolio excellence, please contact:

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