

The Walker Crips  
**IHT Relief**  
Portfolio

*The Inheritance Tax  
(IHT) Portfolio Service  
by Walker Crips*

**WALKERCRIPS**

Investment Management



Growing with  
clients to make  
investment  
rewarding



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# A Portfolio that allows *relief*

For those leaving behind or coming into inheritance, the forty percent tax on all assets above the HMRC threshold can seem a burden. **The Walker Crips IHT Relief Portfolio** has been designed for individuals with the concern that Inheritance Tax may negatively impact the future generations of their family.

## **Inheritance is taxed in the UK**

The money, property and possessions of persons that have passed is referred to as an 'estate'. Inheritance Tax is a tax on the estate of a person who has died. The standard Inheritance Tax rate is 40% and is charged on the part of the estate that is above the inheritance tax threshold.\*



**40% above the threshold** is taken in Inheritance Tax\*

**£325,000** is the threshold\*

**The Walker Crips IHT Relief Portfolio** enables the best intentions of the UK Government by utilising Business Relief, a tax mitigation proposition first brought into legislation in 1976. By investing in assets applicable to the legislation, an individual can deduct the amount invested from eventual taxable sum of their estate, allowing future beneficiaries to maximise their inheritance.

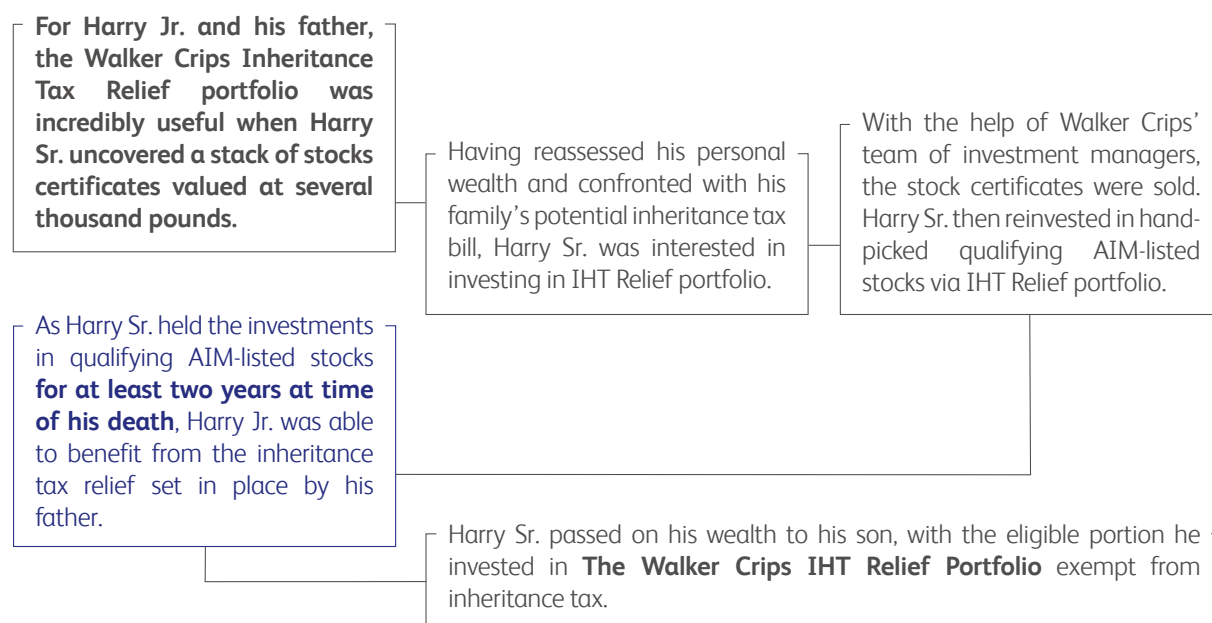
\* Tax rates and legislation may change in the future. Your inheritance allowance and the value of any tax reliefs are subject to personal circumstances. Please seek independent tax advice before investing.

# How the portfolio works

**The Walker Crips Inheritance Tax Relief portfolio utilises Business Relief, a tax mitigation proposition first brought into legislation in 1976.**

Business relief is most commonly available through investment in shares, particularly those floated on the Alternative Investment Market (AIM). Launched in 1995, AIM allows smaller companies from a wide range of countries and sectors to realise their potential. In supporting certain qualifying AIM shares, investors are able to claim 100 % Business relief in return for a minimum of two years investment.

# The portfolio in action



The above is an example of how The IHT Relief Portfolio can be enabled by clients, and is intended to be representative of the motivations behind investment in the portfolio. It is for illustrative purposes only.

# A case study for IHT *relief*

In this case study, we compare the inheritance Harry Jr. could have received when investing in a standard equity portfolio without Business Relief, versus investing in The Walker Crips IHT Relief portfolio with Business Relief.

## Equity portfolio (no IHT Relief portfolio)

If the equity portfolio is £750,000

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and the UK threshold is £325,000

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the amount subject to tax is  
**£750,000 - £325,000 = £425,000**

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the 40% tax takes £170,000

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leaving Harry Jr. to inherit  
£580,000 of the remaining estate

## Equity portfolio with **IHT Relief** Portfolio

If the equity portfolio is £600,000

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the amount invested in the IHT  
Relief portfolio is **£150,000\***

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and the UK threshold is £325,000

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the amount subject to tax is  
**£600,000 - £325,000 = £275,000**

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the 40% tax takes £110,000

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leaving Harry Jr. to inherit  
**£640,000** of the remaining estate

**Please note:** Other assets would be taken into account for IHT purposes. AIM listed shares must be held for two years before being eligible for Business Relief. It is possible to buy and sell qualifying AIM shares within a portfolio and maintain the relief from the date of initial purchase. AIM portfolio investments are still included in your estate and therefore cannot be used to help reduce your estate for main residence nil-rate band tax purposes. Any tax treatment will always depend on an individual's circumstances and may be subject to change in the future.

\*Assumes all holding qualify for exemption



# Walker Crips and the team

## The investment team

For over a century, Walker Crips Investment Management has continued to be a financial services provider with integrity. Our team of investment professionals use their wide-ranging experience, skills and acumen to analyse the potential qualifying stocks on behalf of our clients.

### Possible Return on Investment (ROI)

- Our investment Managers construct the portfolio with aims of strong performance and sustainable growth. They screen their investment universe for potential investments, focusing on companies with a strong balance sheet, profitability and positive cash flow.

### Qualification for Business Relief (BR)

- The team apply a rigorous investment process to potential investments to determine whether or not a company qualifies for BR.

# The investment process

**Around 800 companies are screened on a monthly basis in order to assure the most appropriate holdings for the portfolio.** Before making an investment, the team undertake detailed research into each company being considered. Whenever possible, the investment team meet with company management with the aim of assessing the following indicators of possible future success.

- The valuation of stock
- Barriers to entry
- Potential pricing power
- The sustainability of the company's business model
- Possible risks to the business or the sector
- The likelihood of business growth
- The company's alignment with its shareholder's interests

# The investment attitude

Only by devoting the time to careful and consistent analysis can a profitable and suitable IHT portfolio be developed. At Walker Crips, the Investment Management team strongly believe that avoidance in overpaying for stock is the first and foremost step towards increasing the chances of long-term returns.

# Enabling Business Relief

The UK government has introduced many tax benefits to encourage investment. However the question at the forefront of investing towards Inheritance Tax mitigation remains, what if the tax rules change in the future?

- Business Relief has been in legislation since 1976.
- Certain qualifying AIM shares are able to claim 100% Business Relief (BR) after being held for a minimum of two years.
- At Walker Crips your investment manager will enable the use of BR by investing your capital into the shares of qualifying companies not yet listed on a main stock exchange. As there is no guarantee a company which qualifies today will remain BR qualifying in the future, your investment manager will review your Inheritance Tax Relief portfolio on an ongoing basis; ensuring your investments qualify for relief.

# Utilising AIM

**The majority of AIM listed shares that have been held for more than two years are exempt from taxation when calculating the value of an estate to be inherited.**



AIM is the London Stock Exchange's market for young and growing companies. Launched in 1995, it provides investors access to company's with potential yet to be realised. The characteristics of AIM companies contribute to the AIM markets significant risk in comparison to markets with more stringent admission and maintenance procedures; such as the London Stock Exchange itself. Nevertheless though AIM companies may not have the track record of larger stocks listed on main markets, they can have significant potential for growth.

Your investment manager will create your AIM portfolio around your financial objectives, your existing investments, risk preference and tolerance, asset class preference and any other personal requirements. With this comprehensive understanding a portfolio is developed and aligned to your investment requirement. Your investment manager will work to utilise the advantages that arise when investing in AIM; diversifying portfolio risk, whilst mitigating your tax liabilities.

# Assessing the risks

While AIM companies can grow very quickly and return exceptional profits for early investors, they are also untested; meaning there is a much greater risk of a company failing or not meeting its objectives.

→ **Shares in AIM listed companies are generally considered to be a higher-risk than more conventional equities** and can often be involved in riskier market sectors such as technology, biotechnology and mining.

Our team of investment professionals consider the prevailing concerns and opportunities that any particular company presents. Your Investment Manager will construct a portfolio that diversifies your holdings; minimising dependency on a single company's performance.

→ **Not all AIM companies** qualify for BR.

The investment process we undertake aim to invest in AIM stocks with high likelihood of BR qualifying status.

→ **Given their relatively small size, many AIM shares are less liquid than main market shares** and can be difficult to buy or sell.

We monitor liquidity of our AIM portfolios on a weekly basis. Our AIM investments go through a rigorous investment process to ensure that liquidity is not an issue. Our stringent process and criteria are designed to give us enough time to sell the holding before any liquidity issue arises.

# Informing on risk

## **When investing in AIM for BR there are some key risks:**

- Your capital is at risk and you may not get back the amount invested. Past performance is not a reliable indicator of future results.
- The benefit of tax reliefs depends on individual circumstances and may be subject to change.
- Investments quoted on AIM are likely to fall and rise in value more than shares listed on the main market of the London Stock Exchange. They may also be harder to sell.
- The availability of tax reliefs depends on investee companies maintaining their qualifying status.

## Further information

Other assets would be taken into account for IHT purposes. AIM listed shares must be held for two years before being eligible for IHT relief. It is possible to buy and sell qualifying AIM shares within a portfolio and maintain the relief from the date of initial purchase.

**Stamp Duty:** Stamp Duty and SDRT (Stamp Duty Reserve Tax) charge is not chargeable on the purchase of eligible AIM listed shares.

**AIM Portfolio Service – Encashment and IHT Exemption:** You can withdraw all or part of your portfolio at any time, but the IHT exemption is only available if the relevant shares are held at the date of death. The IHT Relief portfolio should therefore be seen as a medium to long-term investment to be held till death. On death, the portfolio can either be sold or transferred to a spouse without the loss of the IHT exemption, even if AIM securities are held within an ISA.

**Security of Investments:** We use nominee companies to hold your investments. These are companies which do not trade, but are formed by a bank or other fiduciary organisation to hold and administer investments as a custodian, on your behalf. Nominee companies oversee holdings, minimise paperwork and speed up transactions, without affecting your beneficial ownership in any way.

Assets that are registered in one of these nominees companies are held in trust and are not regarded as belonging to Walker Crips Investment Management. Therefore, in the unlikely event of default by Walker Crips Investment Management, your assets are ring-fenced and could not be used to settle any liabilities of Walker Crips Investment Management.

If, in the unlikely event of default by Walker Crips, if there was a shortfall in your assets held in our nominees, the Financial Services Compensation Scheme (FSCS) has a maximum compensation limit of £85,000 per person, per authorised firm.

If you require any additional information or reassurance on our controls for safeguarding your money and investments, please call us on 01904 544300.

For further information on the FSCS, please visit [www.fscs.org.uk](http://www.fscs.org.uk).

You may also wish to visit [www.moneyadvice.service.org.uk](http://www.moneyadvice.service.org.uk) for an independent service, set up by the Government, to help those in the UK make the most of their money.

**Security of Money & Regulation:** We hold all client monies in accordance with the Financial Conduct Authority's client money rules. In effect, we will pool your money with that of other clients. All Clients' funds are held separately from Walker Crips Investment Management's money and are deposited with several leading banks.

We do this to increase our clients' security by further spreading the risk should one of the banks come under pressure or near default. We regularly review banks' creditworthiness to ensure that only those with a high credit rating are used.

However, should a bank become insolvent then, in conjunction with your other deposits or bank accounts, you will be treated as an individual depositor and will be covered under the FSCS. The FSCS entitles you to compensation of up to £85,000 subject to any other deposits you may hold personally with that bank.

Our clients' money is ring-fenced from Walker Crips Investment Management's assets and cannot be accessed by creditors in the unlikely event of the company's insolvency.



# Next steps for you

If you would like to learn more about how we can help you invest in the potential of AIM listed companies, please call your contact at Walker Crips.

If you do not have an existing contact or relationship with Walker Crips, please contact your nearest office.

**We create and establish long term, local relationships with our clients, delivering an efficient and professional service.**

**York – 01904 544 319**  
Apollo House  
Eboracum Way  
York YO31 7RE

**London – 020 3100 8000**  
Old Change House  
128 Queen Victoria Street  
London EC4V 4BJ

## A proud history of looking after our clients

We take pride in being one of the oldest independently owned companies in the City of London. Our predecessors first bought and sold shares on the London Stock Exchange in 1914, and through acquisitions we can trace our roots back to the eighteenth century.

Founded on traditional values of integrity, courtesy, fairness and loyalty, we have maintained these ideals and remain committed to the clients we serve.



**The value of any investment and the income from it is not guaranteed and can fall as well as rise, so that you may not realise the amount originally invested.** This document has been prepared by Walker Crips Investment Management (WCIM) for clients and/or potential clients who may have an interest in its services. It is not a recommendation to buy, sell or invest in any of the products or services mentioned and independent professional advice should be taken before investing. Although every effort has been made to ensure accuracy, the information provided is based upon our understanding of current tax law and the prevailing practice of HM Revenue & Customs; tax rates and legislation are subject to change. We cannot guarantee to inform you of any such changes and we accept no responsibility for any inaccuracies or errors. Your personal circumstances may affect the outcome of any measures you choose to implement and we recommend you take independent professional advice. We cannot accept responsibility for the consequence of any action taken or failure to take action by a reader on the basis of the information provided. All tax rates and information contained within this brochure is correct as of August 2019.

Walker Crips Investment Management Limited is authorised and regulated by the Financial Conduct Authority (FCA) in the conduct of investment business and is a member of the London Stock Exchange. Tax advice is not regulated by the FCA. WCIM provides services that are defined by the FCA as “restricted advice” because we do not consider the full range of investment products that are available to Retail clients but focus on stock market and stock market based investments and other similar products. When selecting stock market based investments and other products on behalf of clients however, we are independent from other financial institutions.

Walker Crips Investment Management Ltd registered office: Old Change House, 128 Queen Victoria Street, London, EC4V 4BJ.  
Registered in England number 4774117.

020 3100 8000  
client.services@wcgplc.co.uk  
www.wcgplc.co.uk

