



Clients with a power of attorney in place

Where a lasting power of attorney is in place, the ability to make gifts is very limited without approval from the Court of Protection. In many circumstances, giving away assets during the principal's lifetime would not be considered as in their best interests. This can make it difficult to plan for passing on wealth tax-efficiently.

In this tax-planning scenario, we look at a way to plan for the future by investing in shares that qualify for Business Property Relief (BPR). As with any investment in shares, they remain the property of the investor.

About this scenario

This tax-planning scenario is designed to help advisers develop appropriate planning strategies for their clients. Advisers should consider, among other things, the value of tax reliefs for their client. You will also need to consider the impact of charges (including initial fee and ongoing fees such as annual management charges) relevant to the products represented and/or any specific product you have chosen.

Nothing here should be viewed as advice. Any suitability decisions should be based on a comprehensive review of your client's objectives, needs and attitude towards risk. For more details and information about the associated risks, please see the relevant product literature available at [octopusinvestments.com](https://www.octopusinvestments.com).

Meet Tom, who has power of attorney over his aunt's affairs

Tom's aunt Eve, who is 84, consolidated her assets and converted them into £850,000 cash before entering a care home. Following the death of her husband, Eve has a nil-rate band of £650,000, but faces leaving behind an inheritance tax bill on the remaining £200,000.

Tom has lasting power of attorney over his aunt's assets, and the circumstances in which gifts can be made from his aunt's estate without Court of Protection approval are limited. In any event, gifts will take seven years to fully fall outside of Eve's estate for inheritance tax purposes. Tom is one of three beneficiaries of Eve's will, alongside his brother and sister.



A tax-planning solution from Octopus

Tom needs to ensure that any investment decisions are made in his aunt's best interests and won't disadvantage her, for example, by making her money inaccessible.

Eve's financial adviser makes an assessment based on her objectives and attitude to risk. The adviser suggests that Tom invest £200,000 on his aunt's behalf in the Octopus Inheritance Tax Service. As with most investments, it is simply made in Eve's name, meaning she retains ownership of her wealth. As long as Eve has held the investment for at least two years when she dies, she can leave the shares to her beneficiaries free from inheritance tax, saving the three beneficiaries an inheritance tax bill of £80,000.

Unlike estate planning strategies that rely on life assurance, there are no underwriting or complicated medical forms to complete – the application process is straightforward. Withdrawals can be requested at any time, for example if Eve requires additional funds for care home fees, however they will be facilitated by the sale of shares and so cannot be guaranteed.

An important reminder about key risks

The value of an investment, and any income from it, can fall or rise. Investors may not get back the full amount they invest.

We invest in companies that we believe qualify for BPR. Entitlement to claim relief will depend on companies invested in qualifying for BPR at the time a claim is made. Relief is assessed by HMRC on a case by case basis.

The benefit of tax relief will depend on personal circumstances. Tax legislation may change in the future.

The shares of unquoted companies can be harder to sell than shares listed on the London Stock Exchange.

Benefits of investing in the Octopus Inheritance Tax Service

This diagram shows how the inheritance tax liability on Eve's estate could be eliminated by an investment made in the Octopus Inheritance Tax Service, as compared to an investment in a portfolio of shares listed on a main exchange.



Please note: This example is for illustrative purposes only and each investor's own tax situation may be different. It assumes that the investments will be held until death, the nil-rate band is offset against other assets and that the investment in Octopus Inheritance Tax Service qualifies for BPR, at death. It is important to remember that the risk profile of each portfolio, costs and any investment growth or losses, are likely to differ. It does not include any charges paid for financial advice. The Octopus Inheritance Tax Service has an initial charge of 2%, a deferred AMC of up to 1%+VAT per annum and a dealing fee, for investments and withdrawals, of 1%. We only take our annual management charge after the investor or their beneficiaries ask us to sell shares. Also, we will only take our full AMC if the investment has delivered the annual target return of 3% over its lifetime, after AMC has been taken into account.



Octopus can help your clients

Octopus is the UK's largest provider of investments that qualify for Business Property Relief from inheritance tax (source: Tax Efficient Review, 2017). For more information on our range of tax-planning solutions, call **0800 316 2067** or visit [octopusinvestments.com](https://www.octopusinvestments.com).


Octopus – an investment company with a difference

When we launched Octopus in 2000, our ambition was to create a different type of financial services company. We wanted to be known for putting our customers first.


Today, Octopus is an investment company with more than 550 employees and more than £7.5 billion in funds under management (source: Octopus, December 2017). We work with tens of thousands of clients, and we've built market-leading positions in tax-efficient investment, smaller company financing, renewable energy and healthcare. But no matter how big we get, our aim is to keep doing the simple things well and to look after each of our customers, day in, day out.

Octopus Inheritance Tax Service is not suitable for everyone and we require investors seek professional advice before deciding to invest. They should also read the product brochure. This is available at [octopusinvestments.com](https://www.octopusinvestments.com).


Why not look through some of our other tax-planning scenarios?




Clients who have sold a business in the last three years




Clients who require access to their investment



Clients looking to set up a trust



Clients with a loan trust in place



Clients who want an inheritance tax-efficient ISA



For a copy, or to find out more about Octopus and what we do:

Call our Business Development Managers on **0800 316 2067**
or visit [octopusinvestments.com/clientscenarios](https://www.octopusinvestments.com/clientscenarios)