



Hedley
& Company
STOCKBROKERS LTD

INHERITANCE TAX PORTFOLIO SERVICE

| Sheltering your investments from 40% taxation |

Hedley & Co is a member of the London Stock Exchange
Authorised and Regulated by the Financial Conduct Authority

INTRODUCTION TO AIM

The Alternative Investment Market has been a remarkable success since being launched in 1995. The value of the companies quoted on AIM has grown significantly over the years and at the end of February 2017 was worth over £86billion with over 3,700 companies listed.

The attraction to companies is the flexibility of the listing rules. Unlike the main market, there are considerably fewer requirements a company must satisfy prior to joining. Therefore, this offers a much more viable option for many earlier stage potential growth companies.

Examples of some successful stocks on AIM are; Boohoo.com, ASOS, Fevertree, Majestic Wines, Safestlye UK, and many more which have used the exchange to raise funds, and continue to grow.

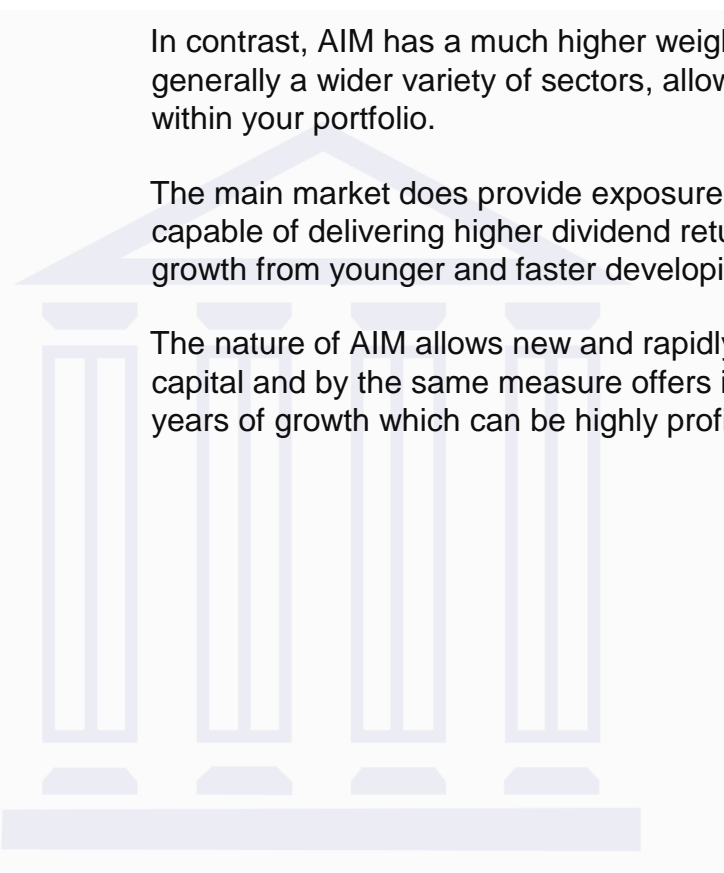
AIM COMPANIES

The FTSE All Share Index is dominated by a limited number of shares in certain sectors, predominately; banks, insurance, oil and telecoms, all of which have a high weighting within the index. Subsequently, a common criticism of the FTSE 100 Index is the heavy weighting towards a minority of large constituents that account for a high percentage of the Index equity.

In contrast, AIM has a much higher weighting towards service based companies and generally a wider variety of sectors, allowing for a greater degree of sector diversification within your portfolio.

The main market does provide exposure to companies which are more mature and capable of delivering higher dividend returns. However, AIM offers the potential for capital growth from younger and faster developing companies.

The nature of AIM allows new and rapidly developing companies the opportunity to raise capital and by the same measure offers investors the chance to participate in the early years of growth which can be highly profitable.



INHERITANCE TAX SHELTER

Inheritance Tax (IHT) is currently levied at 40% of assets exceeding a total value of £325,000 per individual (2019/20 tax year), and with varying degrees of taxation applied to any gifts within 7 years prior to death.

For Inheritance Tax purposes AIM stocks qualify for Business Property Relief and after being held for 2 years, the investments are sheltered from IHT.

Business Property Relief is not a new concept, and was introduced in the 1976 Finance Act. It has been amended in subsequent years and provides an attractive option to private clients concerned about potential Inheritance Tax liabilities.

THE ADVANTAGES OF THE PORTFOLIO

There are schemes aimed at wealthy clients who are anxious to pass on as much of their wealth as possible to future generations. Many of these schemes are complex and involve a high degree of expense. Some involve permanently divesting yourself of those assets or perhaps restricting your access to them for a number of years.

Our AIM portfolio is cost effective to set up, and easy for you to access if you need to use the capital in the future. It is run by Investment Managers you know are accessible and happy to discuss any aspect of the portfolio with you at any time.

The minimum investment required is £50,000 as we feel this is the minimum amount needed in order to be able to take advantage of our service in a cost effective manner, whilst still achieving the appropriate level of diversification.

Should the amount you're looking to invest be lower than this, it may still be beneficial to contact us, as we pride ourselves on bespoke investment solutions for all clients.

ON DEATH

Upon death, and at the request of the Executor, Hedley & Co will provide a Probate valuation as at the date of death. This will be provided on receipt of the death certificate.

The Executor will then make a claim for relief from IHT. Following Probate, the shares comprising the Hedley & Co AIM Portfolio will be distributed under the terms of the Will.

If the shares are transferred to a surviving spouse or civil partner, the period of ownership will pass to them, preserving the available relief, otherwise (if the portfolio is retained by the new owner) a new qualifying period will begin from the date of new ownership.

EXAMPLE

WITHOUT AIM PORTFOLIO

WITH AIM PORTFOLIO

PROPERTY
STOCKS AND SHARES

£500,000 PROPERTY
£400,000 STOCKS AND SHARES
AIM PORTFOLIO

£500,000
£200,000
£200,000

CASH
OTHER ASSETS
TOTAL ASSETS

£50,000 CASH
£50,000 OTHER ASSETS
£1,000,000 TOTAL ASSETS

£50,000
£50,000
£1,000,000

LESS NIL RATE TAX BAND
(2019/2020)

(£325,000) LESS NIL RATE TAX
BAND (2019/2020)
LESS AIM PORTFOLIO

(£325,000)
(£200,000)

CHARGEABLE ESTATE
IHT LIABILITY
RESIDUAL ESTATE

£675,000 CHARGEABLE ESTATE
£270,000 IHT LIABILITY
£730,000 RESIDUAL ESTATE

£475,000
£190,000
£810,000

SAVING:

£80,000



THE INVESTMENT PROFILE

The selection of stocks for the portfolio is carried out by Hedley & Co on a discretionary basis and stocks will be screened for eligibility under the Inland Revenue rules that govern qualifying investments.

Our careful selection process is designed to construct a diversified portfolio across a number of sectors, thereby mitigating your risk whilst at the same time, gaining exposure to growth opportunities.

Each investment will be subject to rigorous analysis from our investment experts prior to its inclusion in your portfolio. Whilst the portfolio is managed on a discretionary basis, at Hedley & Co, we are always available to discuss their investment decisions with you as our client.

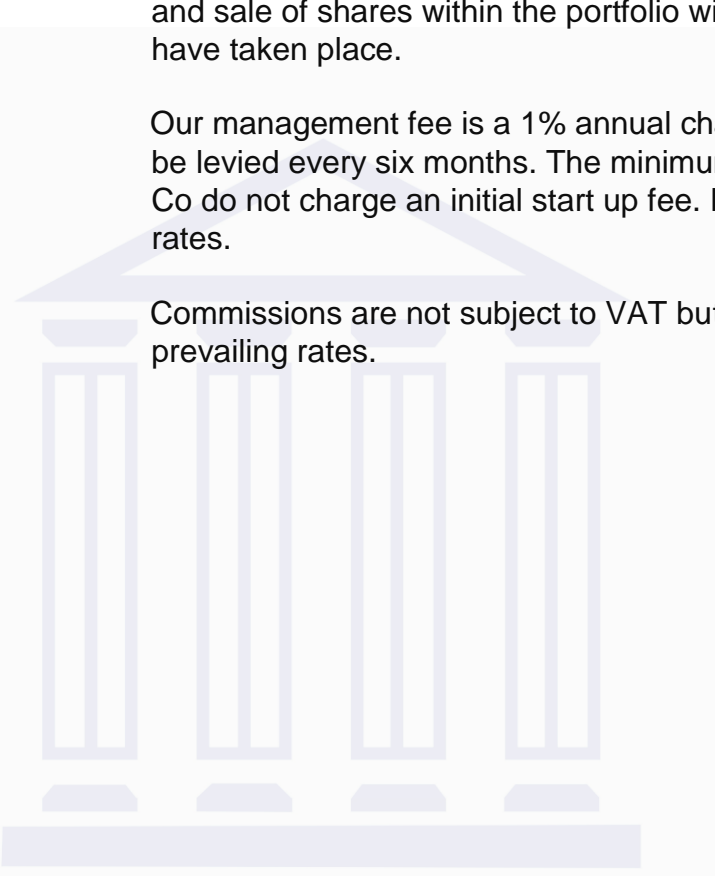
MANAGEMENT AND CHARGES

The portfolio is managed on a discretionary basis and the investment decisions will be the responsibility of Hedley & Co.

Valuations and reviews will be sent to you twice a year and contract notes for the purchase and sale of shares within the portfolio will be sent to you immediately after the transactions have taken place.

Our management fee is a 1% annual charge based on the value of the portfolio which will be levied every six months. The minimum annual fee is £400. Unlike most firms Hedley & Co do not charge an initial start up fee. Dealing charges are as our normal commission rates.

Commissions are not subject to VAT but the management fees will be subject to VAT at prevailing rates.



INVESTMENT RISK

Investment in AIM companies involves a high degree of risk and you should carefully consider investing in an IHT portfolio. You may lose some or all of your investment as the AIM market carries a higher degree of risk than the main market as a result of its reduced regulation. The value of shares purchased in a portfolio and the income derived from them can go down as well as up, and investors may not get back the full amount invested.

If in doubt you should consider taking independent financial advice.

Specific Risks you should consider are;

- Liquidity risk, the shares may be difficult to sell, market makers may not always be prepared to deal in them. Whilst Hedley & Co will consider the liquidity risk of an investment in our investment selection process, the risk will lie with you on the performance of the portfolio.
- Bid Offer spread, the difference price between buying and selling can often be large.
- AIM shares, whereas they may rise in price quicker than the main LSE market can fall much quicker than the main market, leaving losses in poor markets.
- Tax reliefs are subject to change. All references to taxation are based on current practices, which may be altered by law rendering an investment non-qualifying for Business Property Relief.

Your investment in AIM companies should be considered as a long-term investment, so you may qualify for Business Property Relief.

Past performance is not a reliable indicator of future results. The value of any tax benefits will be dependent on individual circumstances.

Hedley & Co cannot guarantee that all AIM investments made will qualify for relief from IHT or, if they do initially qualify, that they will continue to do so.

Each company's qualification for IHT relief is subject to HM Revenue and Customs approval at the time of disposal of the shares. The current rules governing taxation of AIM investments and any applicable relief may change in the future.

Hedley & Co is not a tax adviser therefore you should consider taking professional tax

CONTACT US

Please feel free to call, email, or arrange a meeting to discuss our Inheritance Tax Portfolio Service. We often find a conversation is the quickest and easiest way to establish if our service is right for you.

Blackburn Office

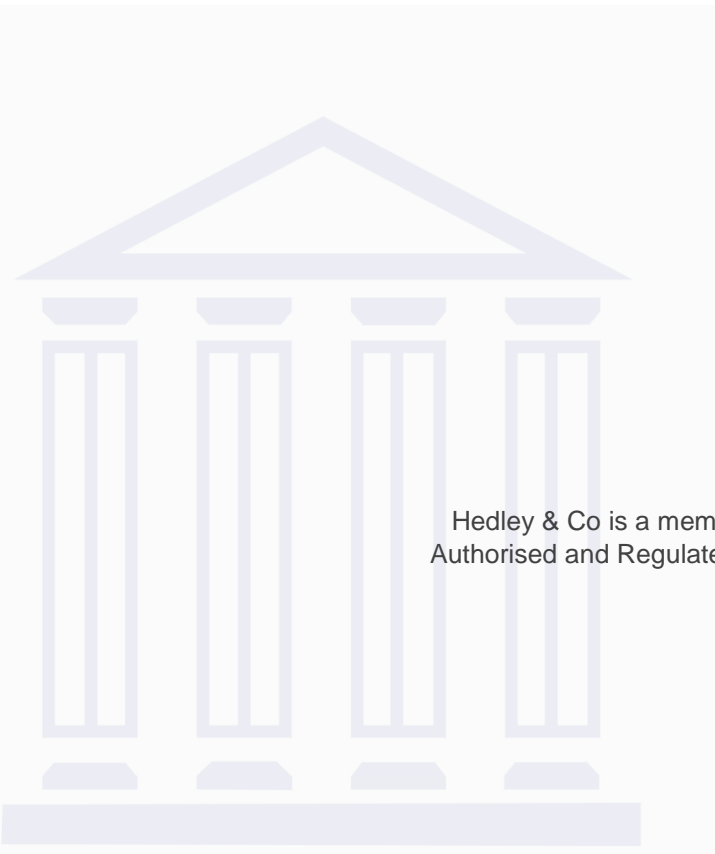
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