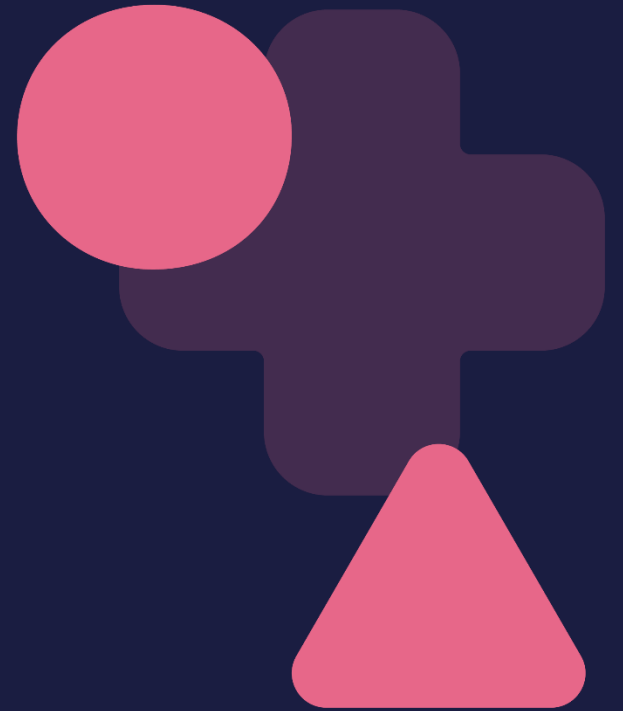


For professional advisers and paraplanners only.
Not to be relied upon by retail clients.

Estate planning, RNRB and the impact of Budget 2024

Compliance First 2024

octopus investments
A brighter way



Learning objectives

By the end of the session, you will be able to:

1

Understand the **changes in the budget** announcement and **potential client impact**.

2

Identify the **inheritance tax exemptions and allowances** that apply to UK individuals and couples.

3

Help clients **avoid RNRB pitfalls** and announced **changes in the budget**.

4

Articulate potential **inheritance tax solutions** for clients who have an inheritance tax liability.

IHT and the changes in the Budget

Inheritance tax Budget changes



Frozen allowances to 2030 NRB and RNRB



Agricultural Relief (AR) and Business Relief (BR)-qualifying companies (unquoted) from April 2026

£1m personal limit AR and BR @ 100% IHT relief

Above lifetime allowance 50% reduction @ 20% effective rate of inheritance tax



Business Relief-qualifying companies (AIM) from April 2026

50% reduction @ 20% effective rate of inheritance tax



Reform to non-domiciled rules

Individuals' tax resident in the last 10 out of 20 years will have worldwide assets subject to inheritance tax



Pensions included for inheritance tax from April 2027

Further consultation announced

Inheritance tax: the basics

1

When a person dies, their **'estate'** is everything they leave behind.

2

This can include their house, any savings or investments, the value of any life insurance policies in their name, and any other assets.
Now to include pensions from April 2027.

3

Inheritance tax is paid on the value of the estate that they leave behind when they die.

Estate planning strategies

It's a good idea to think ahead and plan for what happens to your clients' estates when they pass away. The Will is the starting point.



Spend it



Gifts



Use of exemptions



Trusts



Charity



Life insurance



Pension



Business Relief assets

Inheritance tax overview

Chargeable transfers	Death rate	Lifetime settlement into discretionary trusts
£0-325,000 (nil rate band)	Nil	Nil
Over £325,000	40%	20%

	Additional nil-rate band applicable ONLY to a residence
Frozen to 2030	£175,000

Some gifts are exempt immediately

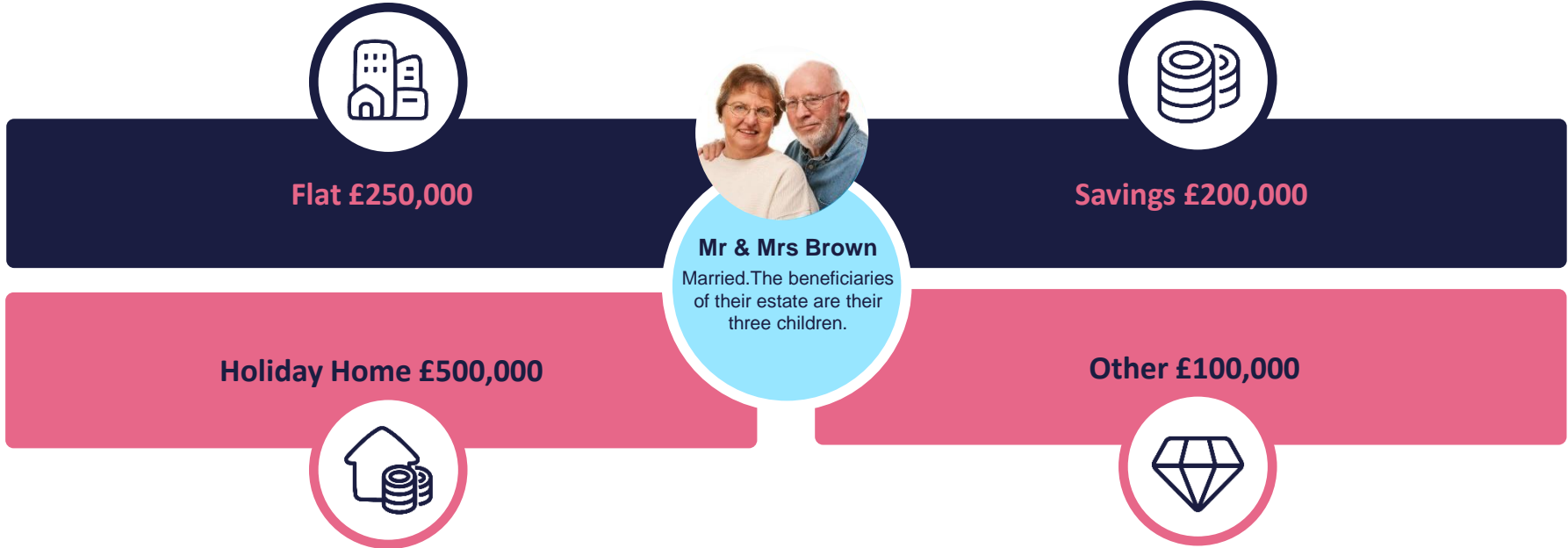
Annual exemption	£3,000
Small gifts	£250
Marriage	Parent: £5,000 Grandparent: £2,500 Other: £1,000
Gifts from income	Gifts made as part of normal expenditure out of income
Charitable donations	£ unlimited + gifts over 10% of net estate reduces IHT rate to 36%

Inheritance tax gifting taper relief for gifts above NRB

Years before death	% IHT payable
0-3	100%
3-4	80%
4-5	60%
5-6	40%
6-7	20%

The Residential Nil-Rate Band (RNRB)

A simple inheritance tax situation – Downsizing



Estate value	Nil-rate band	Residence nil-rate band	Amount liable to inheritance tax	Inheritance tax bill
£1,050,000	£650,000	£250,000	£150,000	£60,000

The RNRB rules

- 1** What counts as a qualifying residential interest (QRI)?
- 2** What does 'closely inherited' mean?
- 3** The RNRB typically does not apply for homes transferred before death
- 4** Homes settled into trust are unlikely to qualify

Downsize allowance

- Hamish passes away 2010 = 100% RNRB available to transfer to Jenny
- Jenny sold home 2018/19 = £125k RNRB
Goes into a care home
- Jenny dies 2023/2024 = £175k RNRB

RNRB £250,000

Jenny reduced RNRB (date sold home) and Hamish's RNRB

Home sold £200,000

RNRB allowance 80%

Lost RNRB £280,000

Maximum RNRB of £350,000 x 80%

£280,000 can be used to offset against Jenny's estate as passing to son

Key Points:

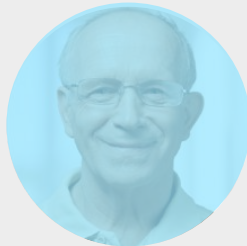
- Calculate lost RNRB at date home sold
- Divide home proceeds by RNRB
- Apply that % to RNRB at death
- Capped at portion of estate passed to son

RNRB on remarriage

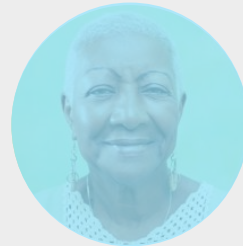
NRB and RNRB from previous marriages – maximum is two RNRB



Mabel



Andrew
Passes away



Jane
Passes away



Steve



Mabel



Steve

Widows and widowers may need to do some extra planning

The RNRB comes with a **'tapering restriction'**.

The amount of RNRB available is reduced by £1 for every £2 by which the deceased's net estate exceeds the 'taper threshold' of £2 million.

In a typical married couple scenario, the second spouse may well need to do some planning once they receive the first spouse's assets if they want to benefit from the RNRB in full.

The RNRB rules

Beware... joint tenants and tenants in common.



A summary of other estate planning options

	Gifting	Life insurance	Trusts	BR-qualifying investment*
Pros	<ul style="list-style-type: none"> • Familiar • Easy to understand • Can reduce size of estate 	<ul style="list-style-type: none"> • Can be used as a way to save for and pay any inheritance tax due to HMRC 	<ul style="list-style-type: none"> • Reduces size of estate • Control over asset distribution 	<ul style="list-style-type: none"> • Fast IHT relief • Access and control • Doesn't use up NRB or RNRB • Power of Attorney potential
Cons	<ul style="list-style-type: none"> • Can use up nil-rate band • Slow • Irreversible • Unsuitable for Power of Attorney 	<ul style="list-style-type: none"> • Medical underwriting required • Can be costly • Will form part of a taxable estate 	<ul style="list-style-type: none"> • Irreversible and can be complicated • IHT entry charges, ten year periodic charges, and exit charges payable. 	<ul style="list-style-type: none"> • Small/unquoted companies present a high degree of investment risk • Tax treatment is subject to circumstances, current legislation and maintaining qualifying status
Speed of relief	Seven years	Whole of life or term	Seven years	Two years

*BR-qualifying investments are only suitable for clients with the appropriate risk profile.

Tax reliefs provide some compensation for investors for taking investment risk

Capital at risk

The value of an investment, and any income from it, can fall as well as rise.

Investors may not get back the full amount they invest.

Tax treatment

Tax treatment depends on an investor's personal circumstances and may change in the future.

Qualifying status

Tax reliefs depend on the portfolio companies maintaining their qualifying status

Volatility & Liquidity

The shares of smaller and unquoted companies could fall or rise in value more than other shares listed on the main market of the London Stock Exchange.

They may also be harder to sell.

We can help you with a variety of tax planning areas

- We created these tax planning scenarios to help advisers develop suitable planning strategies for clients.
- They do not provide advice on investments, taxation, legal matters, or anything else.
- Tax-efficient investments aren't suitable for everyone.
- Any recommendation should be based on a holistic review of a client's financial situation, objectives and needs.
- Before recommending an investment, you should also consider the impact of charges related to the product, such as initial fee, ongoing fees, and annual management charges.

From April 2026 0% rate of IHT will continue for the first £1 million of combined agricultural and business property (e.g. sole traders, partnerships, unquoted companies), and 50% relief above this limit.
For companies listed on the alternative investment market (AIM), a 50% relief from April 2026 with no lifetime allowance.

Clients who want to retain access to their capital



Carol

86 years old, widowed

Her estate is worth £1.5 million and she is receiving income from a pension.

She wants to undertake estate planning with her grandchildren in mind but is reluctant to give away assets in her lifetime in case she needs them.

Carol's adviser suggests selling £250,000 of her existing investment portfolio and making a BR-qualifying investment.

Clients who have a power of attorney in place

Barbara & Malcom

88 years old 90 years old

Have lost capacity, grandson acting as power of attorney.

Cost of care is being met by their pensions.

Expressed a desire to leave as much of their estate as possible to their great-grandchildren.

Any decisions need to be made in Barbara and Malcolm's best interests and not disadvantage them, for example by making their money inaccessible.

Barbara and Malcolm's adviser suggests moving £300,000 from their existing investment portfolio into an investment that qualifies for BR.



Clients who want to use their ISA for estate planning



Peter

70 years old

Has built up ISA investments over the years.

Wants to retain tax benefits of the ISA wrapper.

Is worried his daughter will have to pay 40% inheritance tax on his ISA investments when he dies.

Peter's adviser suggests transferring £100,000 from his existing Stocks & Shares ISA into a BR-qualifying ISA portfolio. AIM shares have an effective 20% IHT rate - From April 2026

An AIM Inheritance Tax ISA is likely to be higher risk than more mainstream stocks and shares ISAs.

Clients who have sold a business



Alan

68 years old

Sold his manufacturing business two years ago for £3 million.

Invested half to generate a retirement income.

Wants to do estate planning with his three daughters in mind

Alan's adviser suggests that Alan invest £1 million of the cash proceeds from the sale of his business in an inheritance tax service.

Learning outcomes

You should now be able to:

1

Understand the **changes in the budget** announcement and **potential client impact**

2

Identify the **inheritance tax exemptions and allowances** that apply to UK individuals and couples.

3

Help clients **avoid RNRB pitfalls**.

4

Articulate potential **inheritance tax solutions** for clients who have an inheritance tax liability.

Our BR-qualifying investments and support

Octopus entities

On a mission to invest in the people, ideas and industries that will change the world

Founded in

2000

Private business

70%

Owned by employees

Funds under
management

£13.4bn¹

¹30 June 2024. Funds Under Management data includes undrawn commitments, funds under advisory mandates and funds monitored, and is based upon the latest information available at the time of the calculation. It also includes funds under the management of Octopus Renewables Limited.



Best Venture Capital
Trust Provider



Best Tax and Estate Planning
Solutions Provider



The Octopus Group

Our group companies all have one thing in common, a guiding principle that's baked deep into our DNA. It's not just what you do, it's how you do it.

Octopus financial services entities, including:

octopusinvestments
A brighter way

octopus
MoneyCoach

Octopus financial services entities, including:

 **octopus**energy

octopusenergy
generation

While we no longer own Octopus Energy, we're proud to be its largest external shareholder.

Octopus Investments is a certified B Corp



- Meeting the highest standards of verified social and environmental performance, public transparency and legal accountability.
- Working to redefine success in business by measuring success by more than just profit.
- The interests of employees, customers, communities, environment and shareholders are treated equally.

Octopus BR investments

Two established services targeting qualification for BR



Octopus Inheritance Tax Service

Discretionary fund management service that invests in one or more unlisted companies.

Launched in 2007.

Aims to deliver a consistent, predictable return of 3% per annum to investors.



Octopus AIM Inheritance Tax Service & ISA

A portfolio of 25 – 30 smaller companies listed on the Alternative Investment Market (AIM).

Launched in 2005.

Targets significant growth for investors.

Also available in an ISA.

Useful documents



What I own and where I keep it



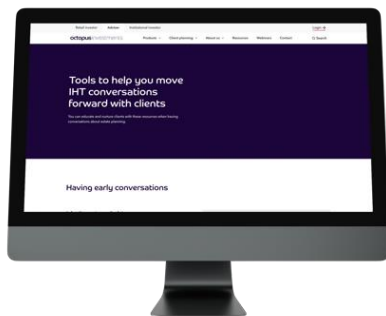
Guide to being an executor



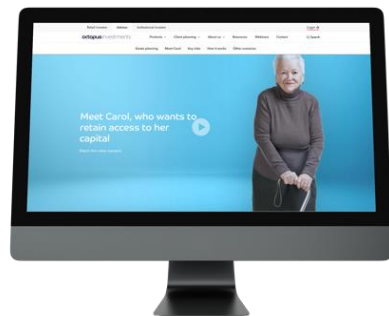
Untangling IHT guide



Client friendly videos



IHT toolkit



Planning scenarios

Ask Octopus

Do you have a question about inheritance tax and estate planning?

Use our free helpdesk and Ask Octopus.

octopusinvestments.com/ask-octopus/

Get in touch



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The investments discussed are not suitable for everyone. This presentation does not constitute advice on investments, legal matters, taxation or any other matters. Any recommendation should be based on a holistic review of a client's financial situation, objectives and needs.

Investors should read the product brochure before deciding to invest. This is available at octopusinvestments.com.

All information, unless otherwise stated, is sourced from Octopus Investments and is correct at 31 October 2024.

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