



**PRODUCT CASE STUDIES:** Puma Heritage EPS

# Estate planning for clients selling a business

## OVERVIEW

Whilst shares in a business can be passed to beneficiaries free of inheritance tax, if a client sells their business they lose that exemption.

Investments that qualify for Business Relief offer a way for clients who have sold shares in a business in the last three years to invest the proceeds in an asset that should immediately qualify for inheritance tax relief, as long as still held on death.



**Please note:** Tax reliefs depend on individuals' personal circumstances, minimum holding periods and may be subject to change.



## THE PROBLEM

A year ago Sheila, aged 68, sold her IT business that she had built up over twenty years in order to retire. Sadly her husband died three years ago. Since the business sale completed, she has been able to spend the extra time with her grandchildren that she had been longing for. Sheila was delighted with her business sale that netted her £1.6 million.

Sheila decided to take some of the proceeds from the sale to spoil her three children and five grandchildren. She plans to do some travelling with her twin sister at some stage in the future when travel restrictions allow. She also had a health scare five years ago that required a serious operation. Her doctors have told her that she might not live for much of her eighth decade.

Sheila has realised that she needs to plan for the worst. In particular she is keen to leave as much of the proceeds of the business sale as possible to her children and grandchildren without them having to pay more inheritance tax (IHT) than they need to. As Sheila is not confident of living another seven years, her adviser has said that traditional forms of estate planning, such as gifts and trusts, are not sensible options.

When Sheila still owned her IT business her shares in it would have qualified for Business Relief (BR). If she had died prior to selling the business, the shares would have passed down to her beneficiaries free from any IHT liabilities. However, since she sold the business the money she received is no longer free from IHT. Sheila owns some other valuable assets such as her house.



## THE SOLUTION

The good news for Sheila is that she has a 36-month window following the business sale during which the proceeds of the sale can be invested back into a Business Relief qualifying investment and immediately gain the zero-rated status for IHT.

Sheila's adviser assessed her needs and objectives, appetite for risk and capacity to bear losses and deems her suitable for an investment that qualifies for Business Relief.

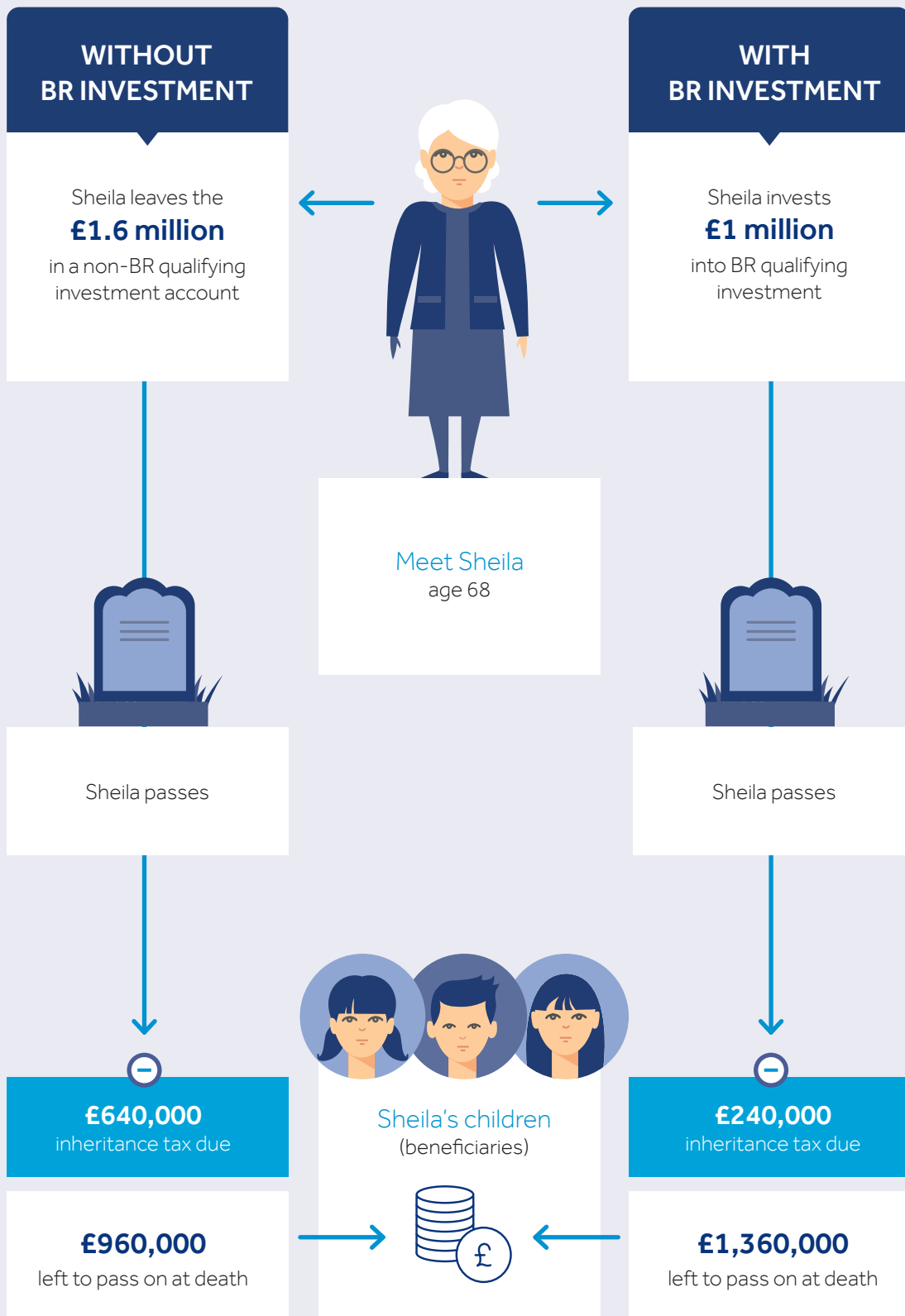
Sheila has decided to follow the recommendation of her financial adviser and invest £1 million into the Puma Heritage Estate Planning Service (EPS), which invests in private trading companies that qualify for Business Relief. Usually an investment in Puma Heritage EPS takes two years to become Business Relief qualifying, however, because of the 36 month 'replacement relief' rule, Sheila's investment will be IHT-exempt from day one assuming that she still holds the investment at the point of death.

Sheila's adviser makes it clear that Business Relief investment is not without risk.

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This example is for illustration purposes only. No investment growth or losses are assumed. It assumes that Sheila is fully invested into Business Relief qualifying companies. For the purpose of this scenario the nil rate band and residential nil rate band have been used by other assets.

Note: Should not be read as advice. Any decision in respect of suitability should be based on a holistic review of client objectives, needs and risk profile.



The case study scenario is for illustrative purposes only and assumes no gains or losses on investments. The adviser will need to consider the eligibility and timings of tax reclaim and tax liabilities depicted and the impact of charges, as relevant to the offering(s) represented and/or any specific offer chosen. Tax reliefs are not guaranteed and depend on minimum holding periods, the individual investor's circumstances and may be subject to change.

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**Please don't hesitate to contact us on 020 7408 4070, or  
advisersupport@pumainvestments.co.uk, or  
visit [www.pumainvestments.co.uk](http://www.pumainvestments.co.uk).**

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### **Risk Factors**

An investment in Puma Heritage EPS carries risk and may not be suitable for all investors. For more information please see below and visit [www.pumainvestments.co.uk](http://www.pumainvestments.co.uk).

**Past Performance:** Past performance is no indication of future results and share prices and their values can go down as well as up.

**Tax Reliefs are not Guaranteed:** Tax reliefs depend on individuals' personal circumstances, minimum holding periods and may be subject to change.

**You May Lose Money:** An investment in smaller companies is likely to be higher risk than other investments. Investors' capital may be at risk and Investors may get back less than their original investment.

**Long-Term Investment:** An investment in the Service should be considered a long-term investment.

**Potentially Illiquid Investment:** Shares in private trading companies are illiquid. It may prove difficult for Investors to realise immediately or in full proceeds from the sale of such shares.



Cassini House,  
57 St. James's Street,  
London, SW1A 1LD

[info@pumainvestments.co.uk](mailto:info@pumainvestments.co.uk)  
[www.pumainvestments.co.uk](http://www.pumainvestments.co.uk)

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