Ascot Lloyd

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QUARTERLY NEWSLETTER

SPRING 2018

Featured in this issue...

Welcome to the **Ascot Lloyd newsletter**

Hello and, above all, welcome to 2018. I hope the new year has started off well for each one of you. I'd like to take this opportunity to wish you all the best for the coming months, and I hope like me you're looking forward to an exciting year of achievement and development.

As you are all probably familiar with by now, one of the most exciting developments for our business was confirmed at the end of last year, and as of January we rolled out the Ascot Lloyd branding across the company.

I'm really pleased and as one integrated organisation we will continue to work tirelessly to ensure that our clients remain at the forefront of our priorities.

The first element of our new look suite of information is this newsletter called *In Touch.* For those unfamiliar with the way our newsletters work, each article has been put together by one of our Advisers based on client feedback to help you gain a better understanding of key financial topics.

Before we get started, I want to highlight to you a critical point in the financial calendar that is fast approaching and if you haven't already, requires your attention; **the end of tax year.** The current ISA allowance for 2017/18 is £20,000 and the deadline is 5th April 2018. There's not long to go, but it's still not too late to make the most of your tax-free allowance. I would advise you to get in touch with your Adviser if you haven't already done so and they can guide you through every step of the process.

On the topic of the end of tax year, in this issue our Tax and Trust Expert provides an insight into utilising allowances and the Additional Permitted Subscription (APS) following the death of a spouse or civil partner. Further information can be found on page 8-9.

IHT planning is a sensitive topic for some, but forewarned is really forearmed, and planning early can help your loved ones when you're no longer here. Take a look at **Protecting Your Investments Using An AIM Inheritance Tax ISA** and **Planning with the Inheritable ISA allowance** for more detail.

Lifetime planning is important for all individuals of all ages – but how many of us really give our pension and retirement the attention it probably deserves. Our article on page 6-7 **Reviewing the Changes to Pension Freedom Withdrawals** explores the Government Reforms which were announced nearly 3 years ago. You can find this and much more inside.

I hope you enjoy the contents of this newsletter and as always, get in touch with us if you have any questions.

Nigel Stockton, CEO
Ascot Lloyd

Market Overview

The fourth quarter capped a surprisingly positive year for risk assets, given expectations at the start of 2017.

Growth remained encouraging and was synchronised across the major regions. Meanwhile, persistently low inflation allowed monetary policy to stay accommodative, despite a few of the world's major central banks beginning to remove some of the unprecedented support they have provided since the global financial crisis a decade ago. This ensured that asset-market volatility remained near record-low levels, as it has been throughout the year.

Risk assets again made strong gains in the final quarter of the year

In the UK, the economy performed relatively well and this led the Bank of England (BoE) to reverse the emergency interest rate cut it implemented following the Brexit referendum in 2016. We do not expect this to mark the imminent start of a rate hiking cycle, with both the government and BoE reducing their forecasts for economic growth amid downward revisions to their productivity growth forecasts and with negative real wage inflation weighing on consumption. Meanwhile, the political backdrop improved with the Chancellor pledging to increase fiscal spending to support the economy and progress appearing to be made in the Brexit negotiations. Against this backdrop, sterling reversed some of its post-referendum devaluation and UK equities achieved solid gains, albeit marginally underperforming their developed world peers.

The UK economy has performed better than expected since 2016's Brexit referendum…

It was an eventful quarter for the UK. In terms of the economy, the labour market has remained strong but the unemployment rate has now stabilised near cyclical-low levels, suggesting that further employment gains may be more limited. Wage growth is edging higher, but it continues to be outpaced by inflation and negative real wage growth is increasingly weighing on consumption. Despite this, there are some areas of encouragement, with business sentiment surveys indicating expanding activity, particularly in the manufacturing and industrial sectors of the economy.

The UK government's economic growth projections

Figure 3: The UK government has reduced its expectations for economic growth, largely because of a downward revision to its forecasts for productivity growth (no forecast provided for 2022 in March).

Source: Office for Budget Responsibility

Market Overview

Meanwhile, Brexit negotiations in Brussels between the government and EU are progressing, raising hopes that the secession will occur in a smooth and orderly fashion.

…but it is expected to slow as the effects of Brexit weigh on growth in the coming year.

Overall, the economy has grown more quickly than expected in recent quarters and this led the BoE to raise its base interest rate for the first time in over a decade in November. However, this move simply reversed the emergency cut it made in anticipation of growth slumping following the Brexit referendum. The BoE Monetary Policy Committee's (MPC) accompanying communication suggested that its policy stance will remain highly accommodative for some time. We note that both the BoE and UK Government reduced their economic growth projections during the quarter, with productivity gains now anticipated to be lower and negative real wage growth expected to weigh further on consumption in 2018.

The government has responded by announcing plans to increase spending…

While the UK government remains under pressure, having lost its majority during last year's general election, the Chancellor sought to regain some favour during his budget statement. He was able to announce plans to increase government spending, while also maintaining his commitment to financial discipline, given that the government's fiscal deficit has already been reduced significantly in recent years. Market movements subsequent to his announcement indicated that UK political risk had declined as investors took his plans well.

However, the process remains in its early phases and many issues still need to be resolved.

These include the establishment of new trade agreements and determining the forms of the post-Brexit legislative and regulatory backdrops.

It is likely that compromises will have to be made by both sides and with many senior members of the government split over what they want the UK's relationship with the EU to look like, the process still holds the potential to catalyse periods of heightened uncertainty. Nevertheless, the progress made during the quarter helped sterling and UK equities make gains, albeit the latter marginally underperformed their global peers.

The Importance of Blending in Asset Classes

By Steven Lloyd, Head of Investment and Avellemy

Once it's been has decided what percentage of each portfolio should be allocated to each asset class, for example equities, fixed income, cash, which is the right fund for each asset class?

There are many investment options available, however Avellemy (part of the Capital Professional Group) provides mutual Ascot Lloyd clients with risk targeted, platform based, discretionary model portfolios.

Within the fund selection for the Active, Income and Passive Avellemy models, we strive to identify the highest quality fund managers. The definition of high quality would mean different things to different people, however in our eyes it is all about consistency of risk adjusted returns through the market cycle. This doesn't mean top quartile performers with no regard for the risk being taken. Our disciplined approach to risk control is a key component to achieving this.

Equally important is the blend of fund managers that we use within individual asset classes. Quantitative screens are an important starting point in condensing the huge universe of open ended funds. However this does not provide the detail needed to fully understand how a fund manager has produced the returns they have which is why the qualitative side of our due diligence is so important.

Our ambition is to blend different styles within every asset class.

In turn this should provide a smoother and more consistent long term return for the end client.

Ultimately there is no point in holding three funds managers if they all follow the same process which leads to high percentage stock overlap and subsequently similar return profiles. Our goal is to identify high quality managers with offsetting investment philosophies that will perform differently through different stages of a market cycle.

By doing this we are looking to build a robust asset class that can be held for the long term. We are not trying to pick managers based on our macro outlook which is notoriously difficult to do, especially within the Quantitative Easing distorted market we find ourselves today which makes diversification ever more important.

Avellemy offers three different sets of model portfolios - Active growth, Passive growth and Income.

The mandates for each of those models are personalised to each client's appetite to risk.

Please contact your Independent Financial Adviser for more information, however in the meantime you can download a digital version of the Avellemy brochure via your client login area on our website, www.ascotlloyd.co.uk/login.

Reviewing the Changes to Pension Freedom Withdrawals

By James Peer, Ascot Lloyd Independent Financial Adviser

It is now almost 3 years since the biggest overhaul in pensions in over a century – known as Pension Freedom.

The Reforms, which were announced in the Budget 2014 and were implemented from April 2015, gave individuals much greater flexibility when accessing their pension savings. Amongst the most significant changes were to the tax rules. Here we review some of those changes, and how they have affected the UK's retirement savings landscape ever since.

Taxable Withdrawals

For schemes which support 'Flexi-Access Drawdown', withdrawals can be made up to the full amount at any time, subject to an individual's marginal tax-rate in that tax-year.

Withdrawals from a Defined Contribution pension were previously capped at 120% of an equivalent annuity each year, with full withdrawals taxed at a whopping 55%. This hasn't resulted in a drove of retirees splashing out on brand new Lamborghini's, but it certainly has allowed income in retirement to be tailored specifically to an individual's needs throughout each phase of their retirement.

Whilst this may be an attractive option for those who can afford to do so, making larger withdrawals in the early years of retirement will leave less in the pot for later.

Annuity Market

Annuity rates are determined by many factors including interest rates. With interest rates having been low for so long, it is no surprise that annuities continue to be less popular with clients.

Since Pension Freedoms were implemented, it could be argued that annuities have proven to be even less popular with more and more people favouring flexible access and varying income to suit their needs.

The overhaul to the annuities market promised by the government, in attempts to make them more attractive, hasn't materialised and we are yet to see new annuity products hit the market. There is also no longer a mandatory requirement to purchase an annuity at 75, as was the case before, further denting their appeal.

Who will inherit your pension when you pass?

Death Benefits

This is one of the most significant changes applied to the rules surrounding passing on pension assets to beneficiaries on death, including the taxation of these benefits.

Whilst previously these were restricted to passing on benefits to a surviving spouse and/or financial dependent under the age of 23, there are no longer any restrictions on who can inherit your pension benefits.

Inherited pension benefits were also taxed at 55% previously, but now pension benefits can be inherited with no tax to pay should the member die before the age of 75. If after 75, any benefits withdrawn (rather than the whole pot) will be taxed at the individual's marginal tax-rate, which is still significantly lower than 55% and the Inheritance Tax Rate of 40% (for Basic Rate taxpayers).

This has brought Defined Contribution pension benefits to the fore when it comes to estate planning, with some people now able to leave their pension assets as a 'legacy' for future generations, which can be passed on indefinitely, in a tax-efficient manner.

Freedom of not having to take an income from a pension, could simultaneously allow one to reduce their IHT position, by spending from their taxable estate rather from their pension, whilst having peace of mind that their beneficiaries will be able to inherit their pension assets and access those benefits flexibly.

The fact that beneficiaries can also defer taking any benefits from the inherited pension, also provides them with much needed flexibility since they may have tax considerations of their own at the time of the inheritance.

Annual Allowance and Lifetime Allowance

Whilst pensions have become more attractive for many reasons, the amount that people can save into a pension has reduced. The standard allowance is £40,000/year with some high-earners reduced to as little as £10,000/year.

> The Lifetime Allowance now also stands at £1 million.

This has certainly made it harder for some individuals to build up significant pension assets over their lifetime, making it ever-more important to seek professional financial advice to ensure that savings can be made in the most tax-efficient manner over the long-term. It has also meant that those who have already built up significant pension assets are more at risk of incurring a Lifetime Allowance tax charge at some point during their retirement, with the final 'Benefit Crystalisation Event Test' taking place at age 75.

Defined Benefit Pension Transfers

Unlike Defined Contribution Schemes where the benefit you receive is determined by your own contributions and investment returns, Defined Benefit schemes like Final Salary pensions promise a monthly benefit based on a pre-determined formula.

With many schemes offering record-high transfer values boosted by a persistent low-yield environment, as well as growing pension deficits, more people than ever are transferring their guaranteed pension benefits in favor of the flexibility offered in a DC scheme such as a Self Invested Personal Pension (SIPP). Death benefits have also been a factor, with many DB schemes offering 50% of the benefit as a spouse's pension, with generally no scope for other beneficiaries to inherit any benefits.

We work closely with our clients to build highly personalised Lifetime Financial Plans, which can highlight need areas and tax considerations many years in advance – such as a hefty Lifetime Allowance tax-charge at age 75 because of transferring a final salary scheme for example. This helps our clients to understand what their best options are, but most importantly – why.

Additional Permitted Subscription (APS): Are you in the know?

By Gill Philpott, Tax and Trust Expert

Until April 2015, on the death of an ISA account holder all the tax benefits of the account were lost forever. From April 2015 it has been possible for the equivalent of the ISA balance to be passed onto a surviving spouse or civil partner, and for the tax benefits to be reinstated.

Currently, from the date of death of the first spouse or civil partner who dies, their ISA accounts lose their tax-free status.

This means that during the period of administration any income received into the account or gains realised will be subject to the income tax and capital gains tax regimes and this may mean that the Personal Representatives need to file tax returns for the estate period of administration.

Additional Permitted Subscription

The surviving spouse or civil partner does not inherit the actual ISA.

Rather the tax-free status of the ISA account can effectively be regained as the surviving partner is given an 'Additional Permitted Subscription' (APS) allowance.

This is effectively a one-off ISA allowance that's equal to the value of the ISA at the date of the holder's death.

It won't be counted against the normal ISA subscription limit for the survivor but will instead be added on to their annual ISA limit. If the deceased partner had multiple ISAs with different providers, the surviving partner receives an APS allowance for each one.

> The rules apply irrespective of the size of the deceased's ISA pots.

The APS is flexible, it permits subscription to Cash or Stocks and Shares ISAs the surviving spouse holds, or, to new Cash or Stocks and Shares ISAs opened for the purpose.

The value of the deceased's ISA accounts forms part of their estate for inheritance tax and would be distributed according to the provisions of their Will or the rules of intestacy. The APS is available to the surviving spouse regardless of whether they inherit the ISA account itself.

At present the APS allowance is equal to the value of the deceased's ISAs at the date of death and does not change. So if the balance of the account increases or decreases after death the APS will be the value of the account at the date of death. This can cause some administrative difficulties when transferring the ISA assets if the Stocks and Shares held have grown in value.

The allowance needs to be claimed and there are time limits for dealing with this.

'In specie' transfers

This must be of the actual non-cash investments held, and therefore the surviving spouse would need to inherit these assets directly. The transfer then needs to be made within 180 days of beneficial ownership passing to the surviving spouse and to the same ISA manager.

Cash subscriptions

The time limit is within 3 years of the date of death, or if later, 180 days of the completion of the administration of the estate

Under the current rules there are two potential issues:

1. During the administration of the estate, the ISA has lost its tax-free protection.
2. The assets may be growing and this means that the surviving spouse may not be able to rewrap all of those assets in an ISA once the administration of the estate is complete. From 6 April 2018, new rules are coming into force which mean that when an investor that holds an ISA account dies, their ISA becomes a 'continuing account of a deceased investor' or a 'continuing ISA' for short. No money can be paid into it from this point, but it will continue to benefit from the tax advantages of an ISA, so growth will remain tax-free. Its status as a continuing ISA lasts until either the administration of the estate is complete, the ISA is closed, or three years have passed since death – whichever comes first.

This new legislation also affects the APS ISA allowance that can be passed to the spouse. At the moment, the allowance transferred to the surviving spouse is equal to the value of the ISA on the date of death.

From 6 April 2018, the APS will normally be the value of the cash or investments passed on, or the value of the ISA on the date of death – whichever is higher.

Your Independent Financial Adviser can help you to understand these rules and provide advice on the investments and ISA accounts that would suit your personal circumstances and risk profile.

Planning with the Inheritable ISA Allowance

By Allan Perry, Ascot Lloyd Independent Financial Adviser

As the article 'Additional Permitted Subscription (APS): Are you in the know?', explains, the inheritable ISA allowance for married couples and civil partners has been available since 2015. This tax break will become ever-more valuable from 6 April 2018.

Following the death of a husband, wife or civil partner, the surviving spouse is able to apply for an additional ISA allowance, the Additional Permitted Subscription, (APS). This is an amount up to the value of the deceased's ISA savings and the allowance is in addition to the survivors own ISA allowance.

For example, meet Pam

Pam's recently deceased husband Trevor held ISA savings totalling £100,000 on the day he died. Pam may therefore make a claim and have an additional £100,000 to invest into her own ISA, or a new ISA, as an Additional Permitted Subscription. If she hasn't already used her 2017/18 ISA allowance, Pam may invest up to a further £20,000.

Why's this more important in the new tax year?

An ISA is a 'tax-free wrapper', which allows investments to grow, free of Capital Gains Tax. The ISA wrapper also protects your investments from Dividend Tax (on investments) and Income Tax (on savings).

The tax-free Dividend Allowance will reduce from £5,000 to £2,000 in the 2018/19 tax year.

This means that where investments are held outside of a tax wrapper such as an ISA, you might pay tax, 7.5% for basic rate payers, 32.5% for higher rate payers and 38.1% for additional rate payers, on dividend income which exceeds the allowance of £2,000.

Other tax wrappers such as pensions and onshore and offshore bonds can mitigate the dividend tax.

> **ISAs are very flexible**, you can withdraw monies with no tax implication.

Using the example again, what if Pam does not use the APS to which she is entitled?

If she places the £100,000 in a deposit account, the interest might be taxable. A basic rate tax payer may earn up to £1,000 of interest of savings per tax year, for a higher rate tax payer its £500 and an additional rate tax payer none at all before tax is due.

If Pam invested in shares or funds outside of an ISA wrapper, any dividend income exceeding £2,000 may be taxable.

The calculation of the amount and rate of any tax payable will be determined by Pam's overall breakdown of income from all sources.

Many more investors will be paying dividend tax in 2018/19 than in this year, when the threshold reduces to £2,000. Good use of the ISA allowance is especially important, along with associated tax breaks in protecting and growing wealth for the long term.

Not all ISA providers accept Additional Permitted Subscriptions, but your Ascot Lloyd Adviser will be pleased to help you and make the necessary arrangements to suit your circumstances.

Planning for the End of Tax Year

By Graeme Dreghorn, Ascot Lloyd Independent Financial Adviser

As the end of the tax year approaches, several tasks come up to keep us busy, but one of the key areas for Financial Advisers is ensuring that a client is managing their money as efficiently as possible.

Being cognisant of the allowances that are available and utilising them allows for astute financial planning, of which the aim is reduce the impact of tax. What is more, good planning is critical to avoid the 'tax traps' that the current system has created.

If you earn between £50-60,0000 per year and are in receipt of Child Benefit, or if you have earnings between £100-123,000 there is an effective tax rate of 60% on the earnings in these bands...

> ...the good news is there are strategies that can address this.

After a detailed financial review your Financial Adviser can provide advice tailored to your specific circumstances. Below are some of the common allowances you may or may not be familiar with:

- **ISAs:** The most commonly used allowance. Individuals can invest £20,000 per tax year, meaning couples can fund £40,000 into ISAs. Once money is placed in an ISA, it will remain free of tax. This can be excellent for growth, but also for retirement planning as a source of tax-free income. Junior ISA's allow for contributions of £4,128 each year for Children under the age of 18.
- **Pensions:** Anyone can contribute £3,600 into a pension, and up to 100% of their earnings up to £40,000 a year. Pensions attract tax relief at the rate you pay income tax, meaning pensions investments can get an uplift of 20-45% on contributions by reclaiming tax paid on the investment. This can be a great way of reducing a tax bill, particularly for those who just stray into a higher rate band or are caught in the 60% tax traps.
- **Venture Capital Trusts (VCT)/ Enterprise Investment Schemes (EIS):** These somewhat less familiar investments are more speculative and not for everyone. However, with income tax relief at 30%, combined with the potential for exemption from Inheritance Tax (IHT) and tax-free dividends and growth, they can be an attractive option for offsetting the tax bill and can provide very attractive returns if an investor has the appetite for risk.
- **Capital Gains Tax (CGT):** There is an £11,300 allowance each year that can be realised without incurring tax. This can be very useful for both drawing a sum of cash or simply taking part of a gain on a portfolio to avoid large tax bills in the future.

Ascot Lloyd has considerable experience in all areas of financial planning, including but not limited to utilising your allowances as detailed above.

Understanding Investments and Wrappers

By Joe Roxborough, Ascot Lloyd Independent Financial Adviser

There is a common misconception about the difference between an investment wrapper and the investment itself, so let's look at the differences in their simplest terms.

In the past, if an ISA was purchased with an investment company, it would hold a specific fund from that same investment company.

For example, a Jupiter UK equity fund could be held in a Jupiter ISA.

A modern ISA is more often than not held on an investment 'platform'. On this platform, a variety of investments can be placed – holding shares, pensions, commodities, etc, all from different companies.

The most common investment type is an investment fund.

However, it's important not to confuse the two and give undue credit or blame to the investment platform provider or tax wrapper rather than the actual investment itself. With an ISA purchased with Fidelity, for example, you could hold Fidelity's own funds in the ISA, or indeed a fund by another company.

Regardless of what platform or tax wrapper you use to buy the investment, the performance of that investment remains the same, but it may benefit from different tax treatment. It's important to understand the suitability to your individual requirements, which your Ascot Lloyd Independent Financial Adviser can assist with.

There are numerous layers to an investment, each one with different charges and tax implications.

Many highly sophisticated investors purchase shares directly, skipping the wrapper and fund levels of this diagram. This approach would not be recommended for less experienced investors.

At the highest level, choosing how to buy and hold an investment between an individual, his/her family or company is one of the most significant choices for both tax and personal reasons.

After this, choosing the wrapper type and provider is likely to involve research into the type of wrapper that is most suited to your needs, then finding a provider with the appropriate combination of costs, administrative capabilities and investment options.

Within the wrapper, it is important to think carefully about the portfolio. Will you invest in Stocks and Shares directly, or use funds? Again, there is a huge universe (many thousands!) of funds to choose from, each with different costs, objectives, and many other considerations that need to be considered before investing.

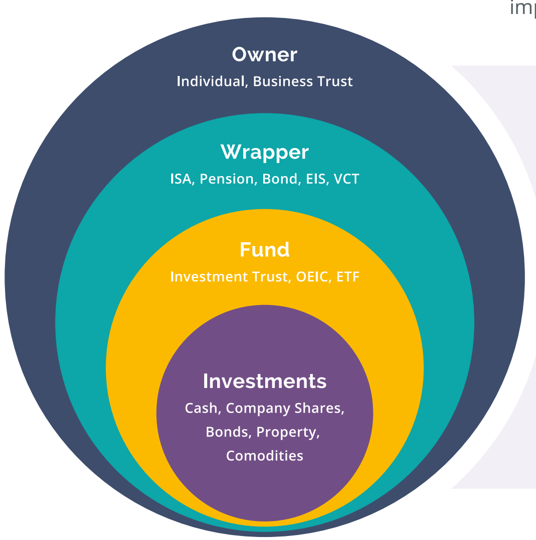
Within this is where your cash is actually invested, where our goal is to grow your wealth for the future.

Your Adviser will sit outside and above this process, guiding you on every step of the journey, picking the best options at each level from our robust research and continuing evaluation of the different markets.

As one can imagine, with such a wealth of options our independence is crucial

We have no obligation to pick any specific owner, investment wrapper, or fund. Our objective is the same as yours – to maximise your return in line with your goals and personal situation.

Your Adviser can help you to understand your options, invest at a level suitable to your needs, explore your options and utilise their expertise for your benefit.



For newer investors, here is a diagram showing the wrappers and layers of an investment and the complexity of what can be included when constructing your portfolio.

Jargon Buster

Investment Trust
Another style of collective investments

Wrapper
The tax vehicle used to invest the fund for example an ISA or a Pension

OEIC
Open Ended Investment Company, basically a collective investment fund

Commodities
Single investments for example: Oil, Gold, Wheat, Copper

VCT
Venture Capital Trust

EIS
Enterprise Investment Scheme

ETF
Exchange Traded Funds

Protecting Your Investments Using An AIM Inheritance Tax ISA

By Matt Spain-Warner, Ascot Lloyd Independent Financial Adviser

Most investors value the tax-free growth and income provided by their ISAs, but many are not aware of the Inheritance Tax (IHT) their families will have to pay on these investments when they die.

Inheritance Tax (IHT) is paid on the money and possessions that you leave to your beneficiaries when you die.

The first £325,000 of your assets are free from IHT (this is often called the 'nil-rate band' - NRB), but everything over this level is taxed at 40%. The current NRB of £325,000 is expected to remain frozen until 2021. In April 2017, the Government introduced an additional IHT allowance of up to £100,000 to apply to the family home in certain circumstances. This additional allowance will increase by £25,000 each year until it reaches a maximum of £175,000 by 2020/21.

There are a number of well-established ways to reduce or potentially even eliminate the amount of IHT your loved ones are required to pay.

Examples include gifts, trusts and making the most of investments that qualify for Business Property Relief (BPR), which is an established form of tax relief that gives people an incentive to invest their money into trading businesses. It was introduced in 1976 as a way to ensure that IHT wasn't paid on small businesses.

In 2013, the Government changed the rules to allow AIM-listed shares, which can be BPR qualifying to be held in an ISA. AIM is the London Stock Exchange's international market for small companies. A wide range of businesses, including early stage, venture capital backed, as well as more established companies, join AIM seeking capital to fund growth. The AIM market is home to many small, dynamic businesses with significant growth potential. Any profits would be tax-free in an ISA, but they can be very volatile with a high risk of failure. They should only be considered by sophisticated investors who have a long-term investment horizon, understand the risks and can accept falls in the value of their investment.

Preparation of your estate before death can help your loved ones

Certain AIM shares benefit from BPR which provides an IHT exemption once the shares have been held for two years. Therefore investors holding these shares in their ISA for the two-year qualifying period should benefit from virtually no taxes while they hold the share, and no potential IHT liability.

Remember though you should always consider the investment merits first and look at the tax benefits as an added bonus, not a reason to invest.

The key benefits of using an AIM Inheritance Tax ISA are:

- Most ISAs form part of your estate when you die. An AIM Inheritance Tax ISA is designed to give you full relief from IHT, instead of leaving your beneficiaries with an IHT bill of 40% of the investment
- Most forms of estate planning (such as gifts or simple trusts) take seven years to become fully exempt from IHT. An AIM IHT ISA takes just two (although you must be still holding the investments when you die).
- No complex legal structures, no underwriting and no medical questionnaires to complete.
- Access withdrawals whenever you want. There's an option to set up regular withdrawals if you ever need to supplement your income. Although, remember, that if you have already used your ISA allowance for the current tax year, you won't be able to put any money you withdraw back into your ISA, and any amounts you withdraw, if they're not spent, will form part of your estate for IHT purposes.
- Potential for tax-free growth and dividends – as you'll be investing in an ISA, you'll pay no income tax on the dividends paid by the companies in your portfolio. You'll also pay no Capital Gains Tax (CGT) on your returns and you do not have to declare ISAs on your tax return.

The key risks of investing in this type of ISA include:

- The value of your investment can go up or down and you may not get back the full amount invested. Investing in AIM-listed shares normally involves more risk than investing in shares of companies listed on the main market of the London Stock Exchange.
- Your investment could experience volatility. The performance of AIM-listed shares tends to be more volatile, which means their value can rise or fall by greater amounts on a day-to-day basis.
- Tax relief cannot be guaranteed. The benefit of tax relief depends on the individual circumstances of each investor. Tax rules could change in future, and the availability of tax relief also depends on the companies we invest in maintaining their qualifying status, which is assessed at the point a claim for the relief is made.
- Your investment could take longer to sell than expected. Shares in AIM companies are not as easy to buy or sell as shares listed on the main market of the London Stock Exchange. This means that the availability and timing of withdrawals cannot be guaranteed.

Your Ascot Lloyd Independent Financial Adviser will be able to help you understand whether this type of investment would be suitable for your personal circumstances and risk profile.

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