

# CFG Wealth Management



Portfolio Management & Estate Planning

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# Introduction



**Preserving wealth  
for future  
generations while  
giving you the  
financial benefits  
you need in the  
meantime.**

Preserving wealth for future generations while giving you the financial benefits you need in the meantime requires a combination of sound investment management and careful tax planning. This will often be most critical when new wealth is created or received. For example, following the sale of a business or on receipt of an inheritance.

Careful thought needs to be given to your own needs first, both in the short and longer term. The first golden rule of wealth management is never to have the 'tax tail' wagging the dog! In other words, achieving tax savings should never be at the expense of your own financial security.

# Designing the investment strategy

**A combination  
of sound  
investment  
management  
and careful tax  
planning.**

The first stage in designing an appropriate investment strategy is to conduct an analysis of your financial objectives and requirements. We will then consider the financial risks that could arise, for example a rise in the rate of inflation or a recession in the economy.

Thereafter, a 'bespoke' investment strategy will be tailored to match your specific needs. This will be geared to providing you with an income on a tax efficient basis, as well as long term capital appreciation, taking advantage of any estate planning options that may be appropriate.

To ensure your capital keeps on working and growing for you and your next of kin the investment strategy will be reviewed regularly. Only through an ongoing programme of care and maintenance can you be assured of a successful outcome while avoiding any undue risk.

# Optimising your portfolio



Improving the value of your investment capital involves striking a balance between risk and reward. Striking the right balance will depend on a number of factors including your own attitude towards investment risk. But it is also important to take into account other factors, for example the timescale over which your capital is likely to be invested and the extent to which you require a regular income or access to capital sums.

By analysing your needs and objectives at the outset we are able to tailor your investment strategy accordingly. This will be reviewed with you each year and adjustments made as required. For example, if you need more or less income, or you want to reduce (or increase) the balance of investment risk.

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# Managing investment risk



Investment risk is automatically lower by spreading your investment over a wide range of underlying assets. This can be conveniently and cost effectively achieved through investment across a range of 'collective' funds through a 'fund supermarket'. This is a modern development in portfolio management made available as a result of the collaboration of major fund management companies to provide access to their funds through a central computerised administration 'platform'.

Our role is to identify the right blend of funds, selected on a 'best of breed' basis, to achieve the optimum combination of performance and security based on your personal risk profile.

# Monitoring your portfolio

## Systematically monitoring fund performance.

The final element in the strategy is our active investment monitoring system (AIMS). This enables us to take advantage of the low (or nil) cost fund 'switching' facilities available through the 'fund supermarkets'.

By systematically monitoring fund performance we are able to 'capture' gains to consolidate your portfolio and also identify favourable buying opportunities when a particular market sector appears undervalued.

Furthermore, each holding within a portfolio is regularly reassessed against alternative funds within the same investment sector and where necessary can be replaced.

As changing from one fund to another can be carried out seamlessly at little or no cost your portfolio will reap the advantages progressively over time.

# Inheritance tax



If you have just received a large capital sum, it will often be important to consider the potential effects of Inheritance Tax on your estate. Inheritance Tax will apply if your total assets including your home amount to more than your 'nil rate threshold'.\*

In certain circumstances, it may be appropriate for part or all of your portfolio to be held in a trust. This can be favourable for your own tax position as well as increasing the amount that potentially will pass to your next of kin.

We have access to a range of specialised trust arrangements for this purpose.

\*IHT is currently charged at 40% on estates above the nil rate threshold.

Inheritance Trusts have many advantages in estate planning:

- Transferring capital into a trust can reduce your Inheritance Tax.
- You can receive a regular tax free income.
- You can retain access to your capital if required.
- You can retain a degree of flexibility over who eventually receives the benefits and in what proportions.

Portfolios can either be established under **absolute trust** (also known as a 'bare' trust) or as a **discretionary trust**. Absolute trusts leave little or no room for change but can save more tax. Great care must be taken in deciding which type to use and (if both are required) the order in which they are created. We will guide you on this, and, where appropriate suggest other measures to help you avoid paying unnecessary tax.

# Main types of inheritance trust

There are a variety of IHT Schemes available, each of which has significantly different characteristics and effects for you and your beneficiaries. Which one suits you best will depend on your own personal needs and objectives as well as your tax position.

There are three main styles of Inheritance Trust Scheme, as follows:

## **Gift Trusts**

The most straightforward option involves making an outright gift of capital into an Absolute Trust. You would have no access to capital or income at any future date, but the amount gifted is a 'Potentially Exempt Transfer' which means no Inheritance Tax will arise if you live for at least seven years.

## **Loan Trusts**

An alternative to gifting your capital is lending the capital to a trust. This would usually be in the form of an interest free loan allowing you access to the original capital by way of 'loan

repayments' if and when necessary. Loan repayments can also be arranged on a regular basis e.g. 5% each year over 20 years, and are tax free.

## **Discounted Gift Trusts**

If you don't need access to your capital but do need to receive a regular income a Discounted Gift Trust may be attractive. The trust will pay you a fixed 'income' for life (which like the loan trust is tax free until you have been paid back the full initial capital).

Because the income is fixed for life, HMRC (the Revenue) 'discount' the value of the gifted capital for the purposes of calculating any Inheritance Tax. This results in an immediate reduction in your taxable estate, even if you do not live for seven years.

## Summary

# Portfolio Management and Estate Planning often go hand in hand.

Portfolio Management and Estate Planning often go hand in hand. Our goal is achieving the best blend of investment performance and tax efficiency to optimise the benefits for you and your next of kin.

Whether you need to put your capital in a trust at outset or not will be discussed in full with one of our Trust and Estate Planning practitioners.

We will also discuss and agree what level of income (if any) you will need on a regular basis, and the importance of you having access to part or all of your capital at any time.

We will liaise with your tax or legal advisers as appropriate to ensure your best interests are served taking into account any other arrangements in place or being planned.

Only once you are fully satisfied that we have understood all your requirements will we proceed with establishing your portfolio and (if appropriate) an inheritance trust to hold your capital for future generations.

*Important Information: Investment funds and units in investment funds can fall as well as rise. Past performance does not always give an indication of future performance. This document does not constitute investment advice. Tax reliefs and legislation are subject to change. Any taxation information contained in this document is based on our interpretation of current legislation and Revenue practice. Please remember that current tax rules can change in the future. If you wish to obtain personal financial advice on Wealth Management & Estate Planning please contact us and we will provide you with a copy of our Terms & Conditions of Business. All initial advice and recommendations are provided in writing.*



CFG Wealth Management  
The Carruth Financial Group  
The Beacon  
176 St Vincent Street  
Glasgow  
G2 5SG

Phone 0141 249 6890  
Fax 0141 249 6893



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Authorised and Regulated by the Financial Services Authority.  
[www.cfgwealthmanagement.co.uk](http://www.cfgwealthmanagement.co.uk)