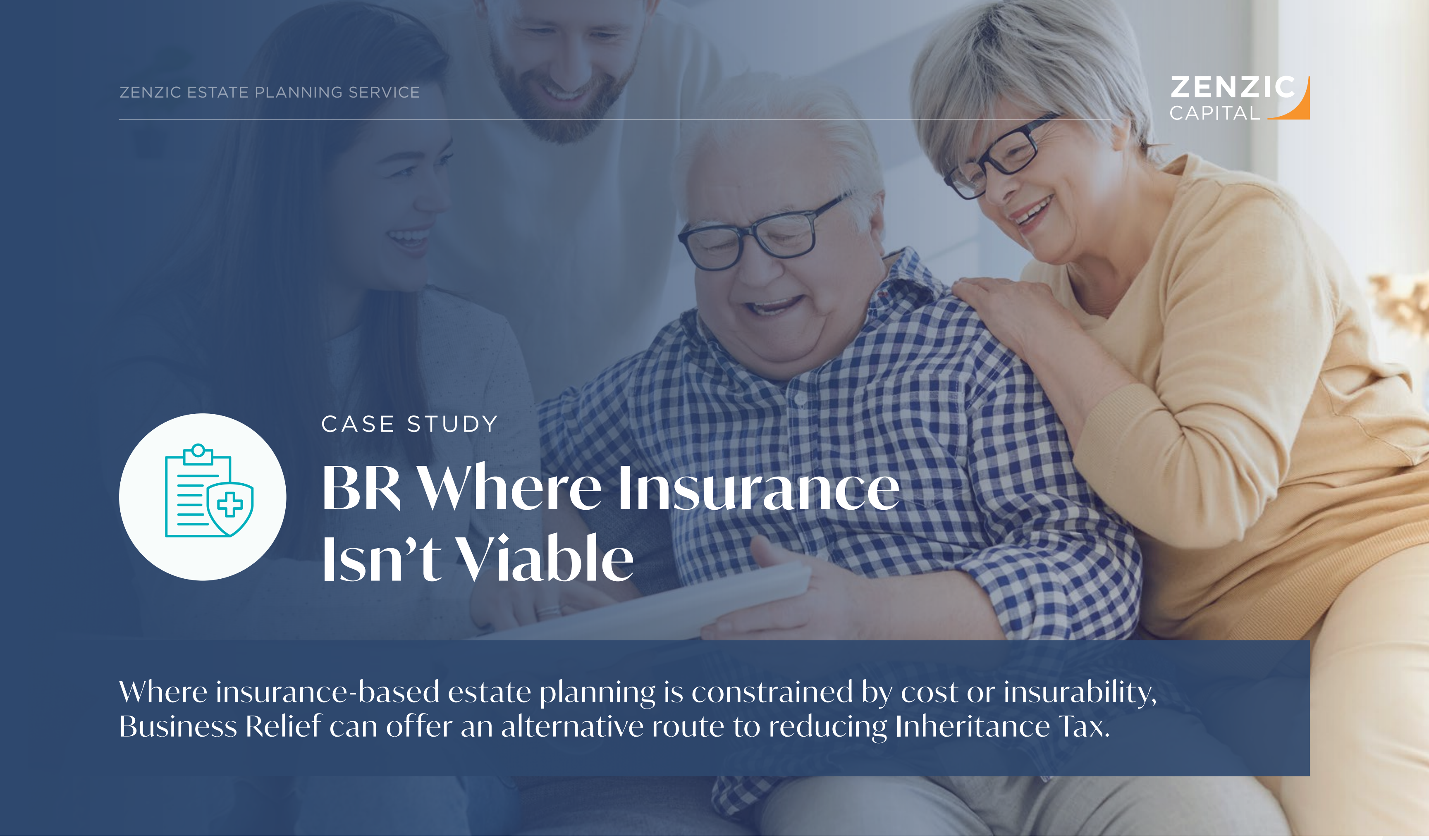
ZENZIC CAPITAL



CASE STUDY

BR Where Insurance Isn't Viable

Where insurance-based estate planning is constrained by cost or insurability, Business Relief can offer an alternative route to reducing Inheritance Tax.

THE PLANNING CHALLENGE

Insurance is commonly used in estate planning yet it does not reduce the liability itself and should generally be used alongside other planning strategies.

For many clients, Business Relief ("BR") can represent a complementary or alternative approach by potentially reducing the value of an estate for Inheritance Tax purposes.

CLIENT PROFILE

Alan (80) and Kate (78) are married with two adult children.

They have built an estate of approximately **£2.2 million**, comprising their home, investments, and cash. Their objective is to pass this wealth to their children as tax efficiently as possible.

Having recently retired, they had planned to use a traditional whole of life insurance structure, written in trust, to meet their future Inheritance Tax liability.

At underwriting, Alan's medical history raises concerns. Several years ago, he suffered a serious health scare and, although he has fully recovered, this leads to a more cautious assessment. As a result, **any available insurance cover is likely to be prohibitively expensive.**

CURRENT IHT EXPOSURE (ILLUSTRATIVE)

Estate Value

- **Main residence:** £900,000
- **Investments and cash:** £1,300,000
- **Total estate:** £2,200,000

Allowances (on second death)

- **Nil-Rate Band:** £650,000
- **Residence Nil-Rate Band:** £350,000
- **Total Allowances:** £1,000,000

Tax Position

- **Taxable estate:** £1,200,000
- **Inheritance Tax at 40%:** £480,000

A significant proportion of the estate remains exposed to Inheritance Tax.

Note: This example is for illustrative purposes only and 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. No investment growth or losses have been assumed.

THE PROBLEM

Alan's original planning strategy assumed that underwriting would be straightforward and premiums affordable. This has not proved to be the case.

Even where insurance is available, funding premiums may require changes to the structure of the estate, including:

- **Encashing investments**, potentially triggering Capital Gains Tax
- **Drawing down pension or ISA assets** that currently provide tax-efficient income
- Relying on **limited liquid assets**.

In summary, funding premiums may involve selling assets intended to support retirement income, introducing tax inefficiencies and cashflow pressure, while creating an ongoing commitment where reducing or stopping premiums may affect cover or lead to the policy lapsing.

What were previously viable options become constrained by time, liquidity, and practicality. As an alternative to life insurance, Alan and Kate could gift assets to their children. However, they do not want to gift money and lose control of it. They are also worried about surviving the seven years required for gifted assets to be fully outside of their estate.

SOLUTION: BUSINESS RELIEF VIA ZEPS

Instead of relying on insurance or gifting and following a conversation with their adviser, Alan and Kate allocate part of their estate into Business Relief–qualifying assets through the Zenzic Estate Planning Service (ZEPS).

They invest £1,000,000 into a portfolio of BR-qualifying trading companies. Subject to eligibility, these assets should qualify for 100% Business Relief once held for a combined period of two years.

This approach:

- ✓ **Avoids reliance on insurability** or ongoing premium commitments
- ✓ **Reduces the gifting qualifying period** from seven years to two, to be met across both spouses
- ✓ **Retains control** of capital
- ✓ **Keeps ownership** in their names.

Alan and Kate can share the BR two-year qualifying period. It does not depend on one individual surviving the full term. The spouse exemption means assets passing to Kate on Alan's death are IHT-free regardless of BR but BR qualifying periods can also be aggregated under s.108 IHTA 1984 — this depends on the assets remaining invested and qualifying throughout.

They can each invest in up to **£2.5 million of assets qualifying for 100% Business Relief**, providing a combined capacity of £5 million, well in excess of their requirements.

From 6 April 2026 the first £2.5 million of Business Relief qualifying assets and Agricultural Property Relief qualifying assets per individual, that are held for at least two years (and at the point of death), will continue to attract full IHT relief. The excess over £2.5 million will attract a reduced rate of relief of 50% (ie, an effective IHT rate of 20%).

OUTCOME (ILLUSTRATIVE)

SCENARIO	TAXABLE ESTATE	IHT (40%)	TOTAL TAX
1. No action	£1,200,000	£480,000	£480,000
2. £1m into BR (ZEPS)	£200,000	£80,000	£80,000

- If Alan survives two years, full Business Relief applies
- If Alan dies earlier, assets pass to Kate free of IHT
- Kate need only complete the remaining qualifying period, as long as the assets remain invested and qualifying throughout.

Potential IHT saving: £400,000

WHY THIS WORKS

Insurance provides only to meet the liability, not reduce it, and depends on insurability, affordability, and sustained funding. Later in life, these assumptions can fail or become inefficient.

Business Relief reduces the taxable value of the estate and does not rely on underwriting or ongoing premium commitments.

Even later in life, a shorter time horizon can remain realistic. A two-year qualifying period is materially different from longer-term assumptions and may still be achievable where outcomes are uncertain.

Where traditional approaches are constrained, this difference becomes critical.

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CONSIDERATIONS AND RISKS

- Business Relief is not guaranteed and depends on qualifying status at death
- The two-year qualifying period must be satisfied
- If both spouses die within two years, relief will not apply
- Capital is at risk and investments may fall in value
- Investments may be less liquid than mainstream assets
- Tax rules and reliefs may change
- Suitability depends on individual circumstances and risk tolerance.

CONCLUSION

Insurance as an estate planning tool can be less certain in practice than initially assumed and introduces an ongoing liability that persists until death.

The outcome of an insurance-based approach is sensitive to longevity. A shorter timeframe may favour the approach, whereas a longer lifespan increases the cumulative cost of sustaining it.

Business Relief, accessed via ZEPS, offers an alternative with a shorter two-year qualifying period, no reliance on underwriting, and greater flexibility in how planning is implemented.

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FIND OUT MORE

For further information on how ZEPS can be used for estate planning, please email:

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