

Mistake 1

When AIM & BPR Backfire

How the Taylors' £700,000 tax plan turned into a
£180,000 tax bill



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There's nothing worse than believing you've done the right thing — only to find out years later that it's gone completely wrong.

That's exactly what happened to **Mr and Mrs Taylor**, a hardworking couple who thought they were being smart with their inheritance tax (IHT) planning.

This wasn't greed or cutting corners — it was a case of *good intentions, poor execution*, and the dangerous assumption that "government-approved" means "risk-free."

The Backstory

It was 2010, and Mr Taylor, then 64, was preparing for retirement.

He and his wife had built a strong financial position — a lovely home, some savings, a decent SIPP, and a few investments.

Their total estate looked like this:



Family home – £1.2 million



Cash savings – £400,000



Bonds – £250,000



Gold – £100,000



SIPP – £800,000



ISA – £300,000

Total estate: £3.05 million

That meant an estimated **IHT liability of around £820,000**.

They weren't reckless — quite the opposite. The Taylors did a lot of the right things.

They'd already taken steps to protect their home through **joint ownership and trust planning**, and their **SIPP was exempt** from inheritance tax, so that part of their estate was secure.

What we're looking at here is just *one slice* of their planning — the part involving **Business Property Relief (BPR)** and the **AIM market**.

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That's where things went wrong.

The Plan

The Taylors wanted to reduce the IHT burden on their daughters. After all, why should nearly half of their hard-earned money go to the government?

They attended a financial seminar where a specialist firm promoted **AIM** (Alternative Investment Market) and **EIS** (Enterprise Investment Scheme) investments.

The pitch was confident and persuasive:

"Invest in qualifying businesses. After two years, those assets are exempt from inheritance tax."

On the surface, it made perfect sense. They were told these were government-backed initiatives designed to help small UK companies and offer generous tax reliefs in return.

The Taylors decided to use some of their liquid assets — mainly their cash savings (£400,000), their ISA (£300,000), and part of their bond portfolio — to fund the investment.

Altogether, they put £700,000 into the plan:

- £350,000 into an AIM EIS Fund, and
- £350,000 into four EIS companies (£87,500 each).

At the time, it sounded perfectly logical.

They thought they were removing £700,000 from their taxable estate — safely and quickly.

The Reality

Unfortunately, what happened next was a slow-motion car crash.

Over the following 13 years, the AIM market — which focuses on smaller, higher-risk companies — went through multiple cycles of volatility and underperformance.

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The Taylors' £500,000 AIM fund fell to around £350,000, and their four EIS companies collapsed entirely, wiping out the full £200,000 invested.

But the biggest shock came later — when they found out that the remaining AIM holdings didn't even qualify for BPR relief.

HMRC reviewed the portfolio and ruled that several of the companies weren't "trading businesses" under the legislation. Some held investment property, others sat on large cash reserves — both of which disqualify them.

That meant the investments didn't qualify for the very relief they were bought for.

So not only had the Taylors lost nearly half their money, they still had to pay 40% inheritance tax on what was left.

Their £350,000 was taxed again — leaving only around £210,000 for their daughters.

What Went Wrong

This wasn't fraud or mis-selling in the traditional sense — but it was **poor due diligence** and **overconfidence** in a set of rules that are anything but simple.

Here's where things failed:

1 Companies didn't qualify as "trading."

Many AIM firms fail the BPR tests without warning — especially those with property, passive income, or high cash balances.

2 Lack of transparency

The Taylors never saw full company-level qualification certificates.

3 No ongoing monitoring

Their provider didn't re-check qualification annually, as professional BPR managers should.

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❑ Portfolio concentration.

The AIM fund was too narrow — just a handful of risky small caps — and the EIS bets were speculative.

Their intentions were sound. The execution was catastrophic.

How It Could Have Been Done Better

With the right structure, the Taylors could have:

- ✅ Used a **regulated BPR manager** with *audited portfolios* that are continuously monitored for qualification.
- ✅ Diversified across **20-30 verified trading companies**, not four or five speculative ones.
- ✅ Combined the strategy with a **trust or family investment company**, layering additional EIT protection.
- ✅ Kept copies of every BPR and EIS certificate for HMRC.

The rules themselves work — it's the implementation that failed.

The Hidden Trap

The phrase “two years and you’re EIT free” gets thrown around a lot.

It's technically true, but dangerously incomplete.

In reality, **qualification can be lost at any time.**

If the company's activities or structure change, BPR relief can vanish overnight.

And most investors aren't told that HMRC reviews the position only **at the date of death** — not at the date of investment.

By then, it's too late to fix.

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The Financial Cost

If the Taylors had simply left that £700,000 in a moderate-risk investment portfolio earning 6% a year, it could have grown to around **£1.8 million** over 13 years.

Even after paying 40% IHT, their daughters would have received **around £1 million** — instead of £250,000.

That's a staggering difference — and a painful reminder that not all "tax-efficient" investments actually save tax.

What We Can Learn

- 1 Don't rely on headlines. "Two-year IHT-free" only applies if all conditions are met at all times.
- 2 Transparency is everything. Always demand evidence of BPR qualification.
- 3 Diversification matters. AIM and EIS are high-risk, and spreading across companies is critical.
- 4 Ongoing review is non-negotiable. You can't just buy and forget — qualification has to be monitored continuously.

My Personal View

I'm not against AIM or EIS — far from it. They have their place.
But they're not "easy wins."

When used properly, under the right advice, they can be brilliant tools for the right type of investor.
But when sold as a shortcut, they often backfire — just like they did for the Taylors.

I Can Help You Avoid This Mistake

I've spent years working with **specialist regulated firms** that manage verified BPR and EIS portfolios — the ones that actually stand up to HMRC scrutiny.

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If you've invested in these already, or you're thinking about it, I can help you get a **second opinion** or connect you to the right experts before you take the next step.

It's a simple review, but it could save your family hundreds of thousands in unnecessary tax.

Final Thoughts

The Taylors did most things right — they had solid estate planning for their home, they understood their pension was protected, and they genuinely wanted to do the responsible thing.

Their only mistake was trusting a solution that sounded too simple for something as complex as inheritance tax.

When it comes to protecting your legacy, it's not just what you do — it's *how precisely* you do it that matters.

So take your time, ask the right questions, and never assume "government-approved" means "risk-free."

Important Note

I'm not a qualified tax expert, and I'm not FCA regulated. Nothing in this report — or in any of the videos or materials in the Market Insider IHT series — should be taken as personal tax advice.

Everything here is purely **educational**, based on what I've personally seen work (and fail) for families trying to protect their legacy.

If you'd like regulated guidance, I can connect you with one of our **FCA-approved IHT specialists** who can help review or structure your estate planning correctly. This report — like all others in the Market Insider IHT series — is designed to educate, not advise.

Mistake 1 – When AIM & BPR Backfire

When Mr. and Mrs. Taylor believed they had crafted a smart inheritance tax plan using AIM and BPR strategies, they were blindsided by a costly oversight that turned their £700,000 investment into a £150,000 tax bill. Their journey illustrates the peril of assuming government-approved solutions are risk-free, as their well-intentioned decisions resulted in devastating financial loss and an unexpected tax burden. This cautionary tale serves as a critical reminder that effective estate planning requires thorough due diligence and ongoing monitoring, not just good intentions.