

# FAMILY INVESTMENT COMPANIES

## THE ESSENTIAL GUIDE FOR LANDLORDS

WHY INCORPORATION IS ONLY HALF THE JOURNEY,  
AND HOW TO PROTECT YOUR LEGACY



# Property118

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# Family Investment Companies – The Essential Guide for Landlords

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## Foreword

- The scale: 400,000+ Limited Companies, but very few FICs.
  - Message: *“If you’ve already incorporated, you’ve stopped halfway. This guide explains the second step.”*
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## 1. The Limited Company Trap

- Why incorporation became mainstream (Section 24, refinancing).
  - What a Limited Company does well.
  - The flaw: all shares sit in the founders’ estates.
  - The inheritance tax time-bomb.
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## 2. How Landlords Really Build Wealth

- Decades of observed practice: small starts, high LTV, recycling.
  - How leverage accelerates compounding.
  - Worked historical perspective: property up 140x during the Queen’s reign.
  - Why “modest” beginnings often lead to dynastic wealth.
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## 3. What a Family Investment Company Is

- Ordinary Limited Company, structured differently.
  - Frozen shares for founders.
  - Growth shares for discretionary trust.
  - Control: directors, voting rights, dividends, loan repayment.
  - Flexibility: no compromise on lifestyle.
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## 4. Why The Right Structure Matters So Much

- The role of discretionary trusts in bloodline protection.
  - Divorce, creditors, next-generation IHT.
  - The trust only activates value on sale or liquidation — no 10-year anniversary charges in the meantime.
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## 5. Addressing Misconceptions

- Only for billionaires → leverage means everyone grows into it.
  - Loss of control → founders keep the reins.
  - Too expensive → five-figure setup vs potential seven-figure saving.
  - Anniversary charges → mitigated under this model.
  - Tax avoidance → mainstream private client planning, not schemes.
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## 6. Legitimacy Under GAAR and DOTAS

- Why FIC conversion is not abusive.
  - Alignment with company and trust law.
  - Recognition: used widely by family offices, ultra-high-net-worths.
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## 7. Implementation Pathway

- How an existing Limited Company is converted into a FIC.
  - Articles of Association.
  - Shareholder agreements.
  - Creation of the discretionary trust.
  - Governance pack: Wills, LPAs.
  - Typical costs and timescales.
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## 8. Case Studies – Success and Regret

- Composite, anonymised stories of landlords:
    - Grew fast, did not convert, now face £2m+ IHT bills.
    - Converted early, retained control, secured bloodline.
  - What they would do differently with hindsight.
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## 9. Frequently Asked Questions

- Do I lose access to my money?
  - What if I need to sell a property?
  - Will lenders refuse to deal with me?
  - What does it cost?
  - How do my children benefit?
  - What happens if I never sell or liquidate?
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## 10. Next Steps for Landlords

- Recap: The decision to form a Limited Company is the first step, FIC is the second.
- Why delaying makes the problem worse.
- Call to action: consult experts to restructure while you still control the company.

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## 11. A message from Mark Alexander – Founder of Property118

- The Missing Link in Most Planning: Guidance Grounded in Real-World Experience
- What a Good Consultation Looks Like - And Why It Starts With You, Not Us
- What Happens Next — Clarity, Confidence, and a Sense of Control
- Preparing Early Is a Gift - To You, and to Them

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## Appendices

- Assumptions for the Worked Example in Chapter 2
- Technical notes on trusts and IHT charges.
- Glossary of key terms.

## Trustpilot Reviews (linked)

<div><div>BS</div><div>Bernie Sloane</div><div>GB · 3 reviews</div></div> <div>Aug 26, 2025</div> <div><div>★★★★★</div></div> <div><b>Property 118 - the best property forum around by far</b></div> <div>In my view Property 118 is the best property forum around by far. They operate with professionalism and integrity. Their site is the best way for keeping up to date with the ever-changing Private Rented Sector with balanced news and views for and from people in the business of property. They are an invaluable resource.</div> <div><div>August 26, 2025</div><div>Unprompted review</div></div>	<div><div>RG</div><div>Ray Guselli</div><div>GB · 46 reviews</div></div> <div>Aug 22, 2025</div> <div><div>★★★★★</div></div> <div><b>A treasure trove of information</b></div> <div>As a landlord for many years with 2 property company portfolios I am always looking for help and advice in an ever-changing environment.</div> <div>I have been a member of Property 118 for some years now and find that the articles, help and guidance as well as general comment are extremely helpful and the site is a treasure trove of information and general comment.</div> <div>Somewhere I can highly recommend and use daily to keep up to date.</div> <div><div>August 22, 2025</div><div>Unprompted review</div></div>
<div><div>CU</div><div>customer</div><div>GB · 22 reviews</div></div> <div>Aug 29, 2025</div> <div><div>★★★★★</div></div> <div><b>Diligence, dedication and full commitment</b></div> <div>Property 118 and Cotswold Barristers have the widest professional knowledge in the Industry. They tailor their advice to your personal circumstances and they are always available to share their insight, their knowledge, their experience and their wisdom. You feel safe because they are there when you need them and they respond when you ask them. And even when the system is challenged or the advice is questioned they remain confident of their position and they are prepared to go above and beyond to support their clients. If only more people in the Industry had the integrity and the commitment and the dedication of Mark Alexander and Mark Smith. Great respect for them both</div> <div><div>August 29, 2025</div><div>Unprompted review</div></div>	<div><div>LM</div><div>LEIGH MCNEILLIE</div><div>GB · 23 reviews</div></div> <div>Aug 30, 2025</div> <div><div>★★★★★</div></div> <div><b>Property 118 are specialists in all...</b></div> <div>Property 118 are specialists in all aspects of landlord support. They assisted us with the incorporation in 2022 and legacy planning as well as supported us after incorporation, answering questions and giving advice. What I also like is that they have a network of other experts in property e.g. accountants who we now use. All in all, very positive experience.</div> <div><div>August 30, 2025</div><div>Unprompted review</div></div>

# Family Investment Companies – The Essential Guide for Landlords

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## Introduction

Over 400,000 landlords in the UK now operate their portfolios through Limited Companies. This shift has been one of the most significant structural changes in the property investment sector over the last decade.

The reasons are obvious. Deciding to operate within a Limited Company structure helps landlords deal with the Section 24 restrictions on mortgage interest relief. In short, it solves the most pressing problems of the day: cash flow and borrowing capacity.

However, after decades of working with successful landlords, one truth has become clear: operating within a Limited Company structure is only half the journey. A standard Limited Company does nothing to protect your family from the inheritance tax time-bomb.

This Guide explains why that matters, what can be done about it, and why the answer for many landlords lies in converting their existing Limited Companies into Family Investment Companies (FICs).

Our objective is simple: to help you see the risks clearly, to understand the solutions, and to make informed decisions about protecting your legacy.

## Chapter 1 – The Limited Company Trap

Operating through a Limited Company structure has become the default strategy for most serious landlords. It is now unusual to find a large portfolio that is still run in personal names. The problem is that the way most landlords set up their companies has a fatal flaw.

In a plain Limited Company:

- **All shares sit with the founders.**  
The directors and shareholders are usually the same people.
- **All equity growth accrues to those shares.**  
As the company's property portfolio grows in value, so does the value of the founders' estates.
- **Inheritance tax applies at 40%.**  
On death, HMRC is entitled to 40% of that company's equity, regardless of how long it took to build or how leveraged the growth was along the way.

This is not a theoretical concern. Even landlords who start with a modest deposit can, through leverage and refinancing, build estates worth millions within a single working lifetime. That is exactly what successful landlords have done for decades.

And here lies the trap:

- A Limited Company protects income tax efficiency and refinancing flexibility.
- But it leaves tomorrow's inheritance tax problem completely untouched.

Every year that passes, more growth is locked into the founders' estates, waiting to be taxed at 40%.

**This is why deciding to operate within a Limited Company was never the end of the journey. To see how landlords really built their wealth, and why the trap is so dangerous, let's look at Chapter 2**

## Chapter 2 – How Landlords Really Build Wealth

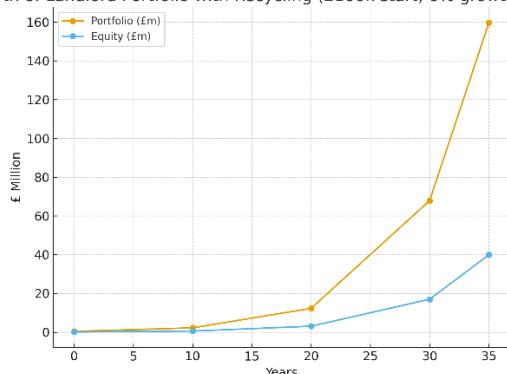
Successful landlords rarely build their portfolios by saving large deposits. The real accelerator has always been the same: **Leverage + Recycling = Compounding Wealth**.

By refinancing back to 75% loan-to-value every few years, landlords can release equity and reinvest into new properties. This cycle repeats, compounding both the capital base and borrowing power.

To see the scale of this, consider a landlord starting with just £100,000 of equity. At 6% annual growth, recycling every five years, the portfolio can expand to extraordinary levels:

Year	Portfolio (£m)	Equity (£m)	LTV (%)
0	0.40	0.10	75%
10	2.21	0.55	75%
20	12.26	3.06	75%
30	67.87	16.97	75%
35	159.69	39.92	75%

Growth of Landlord Portfolio with Recycling (£100k start, 6% growth, 75% LTV)



**Key point:** the portfolio always resets to ~75% LTV after each 5-year refinancing cycle. The compounding effect comes from redeploying equity as deposits for new acquisitions. A more detailed breakdown, showing both pre- and post-refinance positions, is included in the Appendices for those who want to follow the mechanics line by line.

This model is not an exaggeration. Over the late Queen's 70-year reign, UK house prices rose more than 140-fold. This is equivalent to ~7% compound annual growth. Our example uses just 6%.

This is why landlords who start with small deposits often find themselves, within one working lifetime, holding estates worth millions.

Here lies the problem: in a **simple Limited Company structure**, every pound of that equity sits in the founders' estate and is susceptible to being taxed at 40% on death. This is why many landlords now look to FICs as the logical next step, which is something we'll explore in Chapter 3.

It's also the reason so many experienced landlords, looking back, now say the same thing:

*"If only we had structured differently from the outset."*



## Chapter 3 – What a Family Investment Company Is

Most landlords are already aware of Section 24 mortgage restrictions and the income tax benefits of using a Limited Company. What far fewer realise is that a plain Limited Company does nothing to prevent a catastrophic inheritance tax bill.

When all shares sit with the founders, all equity growth is captured in their estates. At death, HMRC is entitled to 40%. The bigger the portfolio, the bigger the tax bill.

A Family Investment Company (FIC) is not a different type of legal entity. It is simply a private limited company that has been structured in a more sophisticated way to achieve succession planning, bloodline protection, and inheritance tax efficiency.

The distinction lies in how the shares are created and who owns them.

### The Core Components of a FIC

- **Frozen Shares for the Founders**  
The founders retain shares that are fixed at their original seed value. This caps the amount exposed to inheritance tax in their estates.
- **Growth Shares for a Discretionary Trust**  
All future appreciation is allocated to growth shares, which are held by a discretionary trust. Because the trust holds these shares from the outset, all future gains accrue outside the founders' estates. Importantly, these shares do not trigger 10-year anniversary charges until a sale or liquidation, because the growth has no crystallised value until then.
- **Full Control Retained by Founders**  
Founders remain directors and hold voting shares. This means they continue to:
  - Control the running of the company.
  - Draw salaries and dividends.
  - Repay their invested capital tax-free through directors' loan accounts.
- **Succession Planning Built In**  
By using a discretionary trust rather than gifting growth shares directly to children, wealth is protected for the bloodline. The trust shields the estate from divorce, creditors, or premature inheritance tax in the children's hands.

### What Makes a FIC Different from a Standard Company

- In a **standard Limited Company**, all shares are in the founders' names, and all growth is caught in their estates.
- In a **Family Investment Company**, seed value stays with the founders, but future growth eventually belongs to the Discretionary Trust, but only upon the winding up of the company. This simple design change transforms the inheritance tax position. To understand why it matters so much, we need to look at what the trust actually achieves in practice — that's the subject of Chapter 4.

Family Investment Companies are widely recognised and used by wealthy families and family offices. They are not tax avoidance schemes. They rely on standard company law and trust law. HMRC has never issued a Disclosure of Tax Avoidance Schemes (DOTAS) reference number for FICs. GAAR does not apply because the outcome is entirely consistent with the intent of both company and trust legislation.

## Chapter 4 – Why Trusts Matter

The discretionary trust is what turns a Family Investment Company into a robust intergenerational planning tool. It is the trust that ensures wealth is not just passed down, but protected.

### 1. Bloodline Protection

If growth shares were given directly to children, several risks would immediately arise:

- Divorce could split the family's wealth.
- Creditors could access the children's shares if they ran into financial trouble.
- Premature death could expose those shares to another 40% inheritance tax in the children's own estates.

By placing the growth shares into a **discretionary trust**, none of those risks apply. The trust owns the shares, not the children. Trustees manage the company for the benefit of the family as a whole, ensuring the wealth stays within the bloodline.

### 2. Timing of Tax Charges

One of the biggest fears landlords and their professional advisers have when they hear the word "trust" is the so-called **10-year anniversary charge**. Under the relevant property regime, discretionary trusts can face charges of up to 6% of their value every decade.

But here is the crucial distinction:

- The trust in a FIC owns **growth shares only**.
- Those growth shares have **no determinable value** until the business is wound up.
- That means there is nothing for HMRC to assess at each 10-year anniversary.

The result is simple but powerful: no anniversary charges bite while the business continues, and the founders retain full control during their lifetime.

### 3. Succession at the Right Time

Most landlords want their children to benefit, but not too soon. The trust allows succession to happen on the right terms:

- During the founders' lifetimes, they remain in control, drawing dividends, salaries and repaying capital as needed.
- When the business is wound up, the trust crystallises the growth and manages the proceeds for the bloodline.
- This avoids the disruption of gifting too early and keeps the family's wealth intact, potentially across several generations.

### 4. A Commercial, Not Artificial, Solution

Trusts are not avoidance tools. They are mainstream estate planning instruments used across the private client world. In the context of a FIC, the trust simply ensures that the business wealth is treated as family capital rather than personal inheritance. The trust is the mechanism that ensures future growth is protected from tax and external threats. In Chapter 5, we'll address the common misconceptions that still hold many landlords back.



## Chapter 5 – Addressing Misconceptions

When landlords first hear about Family Investment Companies, the same objections surface again and again. Most are based on misunderstandings, or on assuming that what applies in one context must apply here too. Let's take each in turn.

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### **Misconception 1: "FICs are only for billionaires."**

This is perhaps the most common myth. Landlords see newspaper headlines about ultra-wealthy families using FICs and assume the structure is irrelevant to them.

Even modest deposits can snowball into millions within one working lifetime. For example, £100,000 of seed capital, recycled every five years, could in theory exceed £150m of gross property value after 35 years. Even allowing for interest rates, costs, and real-world constraints, the point remains: inheritance tax bites hardest where landlords succeed most

Inheritance tax at 40% does not discriminate between the super-rich and ordinary landlords. That is why FICs are not just for billionaires. They are for anyone who has already incorporated and is now quietly growing into an IHT problem.

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### **Misconception 2: "I'll lose control of my wealth."**

Many landlords worry that involving trusts or different share classes means handing the keys of the business to their children too early.

A FIC avoids that problem entirely. Founders:

- Remain directors.
- Hold voting rights.
- Control dividends.
- Can repay their original investment tax-free through directors' loans.

The discretionary trust only holds growth shares, and it cannot act without the trustees. Control of the company remains firmly with the founders. The structure separates ownership of future growth from the day-to-day running of the business — and that is deliberate.

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### **Misconception 3: "Trusts mean 10-year anniversary charges."**

This is true of many discretionary trusts, but not in this context.

Anniversary charges only apply to assets with a determinable market value. The discretionary trust in a FIC holds growth shares. Those shares have no crystallised value until there is a sale or winding up of the company. Until then, there is nothing to charge.

That is why the FIC is so effective. It allows growth to sit outside the founders' estates without incurring periodic trust charges.

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#### **Misconception 4: “This must be tax avoidance.”**

This is another common fear, often stoked by sceptics.

FICs are not tax avoidance schemes. They rely on mainstream company law and trust law. They have been widely used by family offices and private client solicitors for years. HMRC has never issued a DOTAS reference number for FICs, and the General Anti-Abuse Rule (GAAR) only applies to arrangements that are abusive or contrived. A FIC is neither.

In fact, founders still accept inheritance tax on their frozen value. The balance is that future growth sits in trust, which is exactly what Parliament intended trusts to do: protect family wealth.

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#### **Misconception 5: “It’s too expensive.”**

Yes, a properly structured FIC does require a professional team. Legal drafting, shareholder agreements, trust creation, and governance packs all carry costs. A bespoke setup might require a five-figure investment.

But compare that to the possible alternative: a seven or maybe even an eight-figure inheritance tax bill. Spending thousands today to save millions over several generations is not an expense, it is arguably the best investment any landlord could ever make.

**The truth:** FICs are not exotic, not avoidance, and not only for the ultra-wealthy. They are the logical second step for any landlord who has already taken the first step of forming a Limited Company.

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These real-world stories show both the cost of delay and the benefit of action. The next chapter explains why HMRC itself recognises FICs as legitimate, mainstream planning.

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## Chapter 6 – Legitimacy Under GAAR and DOTAS

When landlords hear about new structures, a fair question often follows: *“Is this safe from HMRC challenge?”* The answer, when it comes to Family Investment Companies, is yes, provided they are structured for genuine commercial purposes.

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### 1. Why GAAR Does Not Apply

The **General Anti-Abuse Rule (GAAR)** only applies to arrangements that are abusive, artificial, or contrary to Parliament’s intent.

- A FIC is simply a **private limited company** with bespoke share classes.
- The discretionary trust owns growth shares, which is standard private client practice.
- Founders still accept inheritance tax on their frozen seed value.

There are no artificial steps, no contrived transactions, and no attempt to disguise ownership. The structure mirrors Parliament’s intent: trusts are recognised vehicles for protecting family wealth, and share classes are part of company law.

In short, a FIC is not “abuse”, it is a mainstream application of existing law.

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### 2. Why DOTAS Is Not Triggered

The **Disclosure of Tax Avoidance Schemes (DOTAS)** rules require advisers to disclose arrangements if they create a tax advantage that would not otherwise be available under statute.

- FICs do not rely on obscure reliefs or loopholes.
- They are transparent applications of company law and trust law.
- HMRC has never issued a **Scheme Reference Number (SRN)** for FICs.

This distinction matters. HMRC has explicitly challenged schemes it believes are avoidance. It has not challenged FICs, because they are not schemes — they are legitimate estate planning structures.

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### 3. The Commercial Purpose Test

Both GAAR and DOTAS look at motive. Why is the arrangement being put in place?

For landlords converting a Limited Company into a FIC, the commercial purposes are clear:

- Succession planning for family businesses.
- Protection of wealth for the bloodline.
- Avoiding forced property sales on death to fund IHT.
- Maintaining founder control while planning for the future.

These are not tax tricks. They are real-world business and family considerations.

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#### 4. Widely Recognised and Used

FICs are widely used by:

- Family offices managing intergenerational wealth.
- Ultra-high-net-worth families working with City firms.
- Private client solicitors across the UK.

They are not controversial, not hidden, and not marketed as “schemes.” They are mainstream planning.

#### 5. HMRC’s View: From Review to “Business As Usual”

In April 2019, HMRC established a dedicated Family Investment Companies Unit to review how FICs were being used, particularly to assess any tax risks around inheritance tax, capital gains, corporation tax and stamp duty.

After a two-year investigation, HMRC confirmed in 2021 that the unit had been closed [1]. In its Freedom of Information responses and subsequent press coverage, including reporting in The Times, HMRC stated that there was no evidence FIC users were more likely to engage in non-compliant or abusive tax behaviour. Instead, families were found to be using FICs for legitimate purposes: generational wealth transfer, succession planning, and inheritance tax mitigation.

With that conclusion, the specialised FIC Unit was disbanded. HMRC announced that FICs are now treated as “business as usual”, rather than subject to elevated scrutiny. In practice, this means HMRC recognises FICs as standard private client planning tools — legitimate, mainstream, and subject to compliance checks like any other company or trust structure.

This finding reinforces what private client professionals already understood: when structured correctly, FICs are safe, compliant and aligned with both company and trust law.

#### Endnotes

[1] HMRC Freedom of Information response, July 2021, reported in The Times: “HMRC shuts down Family Investment Companies unit after finding no link to tax avoidance.”

[2] HMRC GAAR Guidance, Part D, section 2.2 – GAAR is intended to counteract abusive arrangements, not those consistent with Parliament’s intent.

**Bottom line:** Converting a Limited Company into a FIC is not a loophole, and it is not avoidance. It is an accepted, commercially-driven structure consistent with UK law. Landlords should be reassured that this is safe, compliant, and recognised.

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With legitimacy established, the practical question becomes: how do you convert? That’s what Chapter 7 explains

## Chapter 7 – Implementation Pathway

For many landlords, the most important question is not “*Why?*” but “*How?*”.

If you already own property through a Limited Company, the good news is that you do not need to start again. You can convert your existing company into a Family Investment Company (FIC).

The process is not about forming a new legal entity, but about **restructuring the existing one**.

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### Step 1 – Review of Current Position

- Assess the company’s existing shareholding, articles of association, and governance.
  - Value the current portfolio to establish the frozen seed amount that will remain in the founders’ estates.
  - Confirm outstanding loans and director’s loan balances.
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### Step 2 – Design the Share Structure

- Create **frozen shares** to reflect the founders’ current value.
  - Create **growth shares**, which will capture all future appreciation.
  - Ensure voting rights remain with the founders, so day-to-day control is not diluted.
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### Step 3 – Establish the Discretionary Trust

- A trust is created to hold the growth shares.
  - Trustees are appointed — usually including the founders alongside independent professionals or trusted family members.
  - The trust deed sets out the bloodline protection and distribution rules.
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### Step 4 – Update the Articles of Association

- The articles are amended to recognise the new share classes and their rights.
  - Restrictions on transfer can be included to prevent unwanted share disposals.
  - Dividend policies are clarified.
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### Step 5 – Draft Shareholder Agreements

- Agreements between the founders, trustees, and any other shareholders formalise the structure.
  - These documents are vital for lender reassurance and future governance.
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## Step 6 – Governance Pack

- Alongside company documents, the wider family governance is updated:
    - Wills.
    - Lasting Powers of Attorney.
    - Trustee letters of wishes.
  - This ensures the FIC dovetails with the family's broader estate plan.
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## Step 7 – Professional Oversight

- **Qualified lawyers** draft the trust deed, articles, and shareholder agreements.
  - **Accountants** review valuations and deal with ongoing filing at Companies House.
  - **IFAs** may advise on insurance-backed liquidity planning (e.g. life cover in trust).
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## Step 8 – Timescales and Costs

- A typical conversion can be completed in **three to six months**, depending on complexity.
  - Costs vary, but a bespoke FIC setup usually sits in the **low-to-mid five-figure range**.
  - Against a potential inheritance tax saving in the millions, this is a modest investment.
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**Key takeaway:** Converting an existing Limited Company into a FIC is not starting again. It is about reconfiguring what you already have, preserving control, and protecting future growth for your family.

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Implementation requires proper legal and professional oversight, but the process is straightforward. To illustrate, Chapter 8 will share the experiences of landlords who acted early — and those who regret delaying.



## Chapter 8 – Case Studies: Success and Regret

Sometimes numbers alone are not enough. The reality of inheritance tax exposure becomes most obvious when you look at how real landlords' journeys play out. The following anonymised case studies are composites drawn from decades of experience. They illustrate both the risks of delay and the benefits of early action.

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### Case Study 1 – The Regret of Delay

Mr and Mrs L started investing in the late 1980s with £50,000 of equity. They built their business through a Limited Company, reinvesting every few years and steadily expanding.

By the time they reached retirement age, their company was worth over £10m, with net equity of around £6m. Every penny of that equity sat in their personal estates.

On the first death, the surviving spouse inherited the shares, so no IHT was due at that point. But on the second death, HMRC's claim was £2.4m. The family was forced to sell several properties to cover the liability.

Mr and Mrs L's reflection: *"We focused on growth and income, but we didn't think about succession until it was too late. If we had restructured into a FIC earlier, the tax bill would have been negligible."*

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### Case Study 2 – The Benefit of Early Conversion

In contrast, Mr A began with £100,000 of equity in the early 2000s. He grew his company aggressively, recycling every five years. By 2020, the company's portfolio was worth £12m, with equity of £7m.

However, unlike Mr and Mrs L, he converted his company into a Family Investment Company while his equity was still modest. His frozen shares reflected the £100k seed value, while growth shares were placed into a discretionary trust.

Today, his family has the same £7m of equity, but only £40k sits in Mr A's estate. On his eventual death, HMRC's claim will be negligible. The trust will continue to hold and protect the family's wealth, ready to benefit the next generation.

Had Mr A delayed, his heirs would have faced a £3m tax bill. Instead, his frozen shares left only £40k exposed.

Mr A's reflection: *"I realised early on that incorporation was only half the journey. The FIC gave me peace of mind — I know my children will inherit without a 40% haircut."*

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### Case Study 3 – Protecting Against Life Events

Another family, the Ks, converted into a FIC when their company was worth £3m. Within ten years, one of their children went through a divorce. Because the growth shares were held in a discretionary trust, the portfolio was fully protected from being dragged into the divorce settlement.

The Ks later commented: *"The FIC didn't just save us tax. It protected our family wealth from being split apart by circumstances we couldn't control."*

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**Lesson:** A simple Limited Company structure is not enough. Every landlord who operates within a Limited Company faces the same fork in the road: either delay and let HMRC take 40%, or convert to a FIC and protect the bloodline.

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### **What These Stories Show**

- Delay can lead to seven or even eight-figure tax bills and forced property sales.
- Early conversion caps IHT exposure and protects growth.
- The trust adds another layer of resilience, insulating the family against divorce, creditors, and premature inheritance in the next generation.

These stories illustrate the choice every landlord faces: delay and expose your family to tax, or act and protect your bloodline. Chapter 9 addresses the practical questions that most landlords ask at this point.

## Chapter 9 – Frequently Asked Questions

When landlords first consider converting a Limited Company into a Family Investment Company (FIC), several practical questions arise. Here are the most common.

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### Q1: Do I lose access to my money?

No. Founders can still:

- Draw dividends in retirement.
- Repay their original investment tax-free through directors' loan accounts.
- Retain full control of voting rights and directorships.

The FIC is designed to separate **ownership of growth** from **control of the business**.

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### Q2: What happens if I need to sell a property?

The company remains a Limited Company, so it can buy and sell properties as usual. A sale does not break the FIC structure, it simply crystallises value within the company or, in the case of a full liquidation, within the discretionary trust.

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### Q3: Will lenders still deal with me?

Yes. A FIC is still an ordinary Limited Company. Lenders may ask for details of the trust, but with proper documentation (articles, shareholder agreements), refinancing remains straightforward. Specialist mortgage brokers are used to this structure.

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### Q4: How much does it cost?

A bespoke FIC setup is typically a **low-to-mid five-figure investment**. This includes legal drafting, trust creation, articles of association, shareholder agreements, and governance pack updates (Wills, LPAs). Against potential seven-figure inheritance tax savings, the cost is modest.

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### Q5: How do my children benefit if they don't directly own shares?

Children (and grandchildren) are beneficiaries of the discretionary trust. Trustees manage the growth shares for their benefit. This means children benefit **without risk**; e.g. their personal divorces, creditors, or tax positions cannot erode the family wealth.

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### Q6: What happens if I never sell or liquidate the company?

If the company is never sold or liquidated, the growth remains in the trust as shares. No 10-year anniversary charges bite because the growth is not crystallised. On the founders' deaths, only the frozen shares sit in their estates. The trust continues to own the growth indefinitely, protecting the bloodline.

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**Q7: Isn't this tax avoidance?**

No. A FIC is a mainstream private client planning tool, recognised by HMRC. It relies on ordinary company and trust law. Unlike schemes that attracted Disclosure of Tax Avoidance Schemes (DOTAS) reference numbers, FICs have never been challenged in this way. GAAR (the General Anti-Abuse Rule) does not apply because the arrangement is not abusive or artificial.

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**Summary:** A FIC does not mean loss of control, loss of flexibility, or loss of access to capital. It means freezing today's estate value and directing tomorrow's growth into a protected trust for your bloodline.

## Chapter 10 – Next Steps for Landlords

You have now seen the full picture:

- The decision to operate within a Limited Company is the first step, solving income tax and refinancing issues.
- However, a plain Limited Company traps all future growth in your estate, creating a 40% inheritance tax liability.
- A Family Investment Company (FIC) conversion caps your estate at today's value, while protecting tomorrow's growth for your bloodline.
- A well-thought-out structure negates the 10-year anniversary charges, provides divorce and creditor protection, and ensures the next generation inherits intact.

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### Why you must act sooner rather than later

The longer you delay, the more equity becomes trapped in your estate. That growth cannot be undone. Every year you wait, the inheritance tax bill for your family increases.

Successful landlords who have already gone through this process often say the same thing: *"I wish I had done it earlier."*

### The decision in front of you

If you already have a Limited Company, you have solved half the problem. The question now is whether you stop there, or complete the second step by converting into a FIC.

- **Stop now:** Your family will face a seven-figure tax bill in the future.
- **Convert to a FIC:** You retain control, preserve flexibility, and protect millions for your bloodline.

### How to begin

Converting into a FIC is not a DIY project. It requires:

- Specialist lawyers to draft the trust and shareholder agreements.
- Accountants to confirm valuations and capital account positions.
- Governance updates (Wills, LPAs) to ensure everything aligns.

With the right team, the process can be completed in **three to six months**. The cost is modest compared to the value it preserves.

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### Your next step today

If you have already taken the first step of forming a Limited Company, the next step is obvious. Converting into a Family Investment Company is the only way to ensure your hard-earned wealth benefits your family, not HMRC.

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## Chapter 11 - A message from Mark Alexander, Founder of Property118

I've spent my whole career helping people avoid unnecessary regret, and I built Property118 to be a place where landlords can get the support, structure, and strategy they need, not just to succeed today, but to leave something lasting for tomorrow.

Because the *true legacy* of a rental business isn't in the bricks and mortar, it's in the way you pass it on - with care, with clarity, and with confidence.

### **From One Landlord to Another — Here's Why Our Consultant Team Makes All the Difference**

As I began laying the foundations for my own future, one thing became clear: Landlords don't just need advice, they need guidance they can trust, from people who understand what it's really like to run a rental business.

That's why I began bringing together a team of consultants who weren't just professionally qualified, but who also shared a deep, personal understanding of what it means to be a landlord.

Their resumes were impressive, but that wasn't what mattered most.

What mattered was that every one of them had lived the life of a landlord.

They'd dealt with voids and maintenance issues. They'd navigated refinancing and regulation. They understood the sleepless nights, the risk, and the sense of responsibility, not just for properties, but for people.

### ***"You Get It."* - that's what landlords tell us most**

Between us, we've conducted thousands of consultations with landlords from every walk of life.

Time after time, what we hear isn't just:

*"Thank you for the advice."* It's: *"Finally, someone who gets it."*

Because that's the difference.

Most financial professionals, however skilled, don't run property businesses. They may know the rules, but they don't always understand the *reality*.

We do.

We speak your language.

We understand your goals, and we know the challenges you're facing, not from a spreadsheet or years of professional training and qualifications, but from personal experience.



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## **The Missing Link in Most Planning: Guidance Grounded in Real-World Experience**

Here's what we've come to understand after thousands of conversations with landlords:

The reason so many never get around to succession or estate planning isn't because they don't care...

It's because the advice they're offered often feels disconnected from reality.

- Tax planners talk in technicalities.
- Solicitors focus on legality.
- Accountants look at numbers.
- Mortgage brokers talk about LTV's, interest rates and product fees

But very few of them start with a simple question:

***"What do you actually want this business to do for your family in the future?"***

We don't start with trusts, or share classes, or tax codes. We start with you.

- Your goals.
- Your family.
- Your properties.
- Your plan, or lack of one.

Only then, if the time is right, do we help you shape a pathway forward.

One that:

- Protects your legacy
- Involves your family at a pace that feels natural
- And frees you to step back gradually, without losing control or clarity

It's not just a technical process; it's a conversation, one that too many landlords have never had, and desperately need.

## **What a Good Consultation Looks Like - And Why It Starts With You, Not Us**

When a landlord reaches out to us, we don't start by talking about ownership structures, accounting or legal strategies.

We start by listening.

Every consultation begins with a simple, secure online Fact Find.

It's not just a generic questionnaire; it's designed with conditional logic that adapts based on your answers, so we can ask the *right* questions, not all of them.

It's our way of making sure we understand:

- The shape and structure of your property business
- Who's involved in your family, and who might be in future
- Your short, medium and long-term goals, what's working, and what's worrying you

From there, we follow up personally.

Usually, that means phone calls or email exchanges, to clarify the facts, ask the right questions, and begin gently drilling into the real detail.

We'll often start with a property schedule, not just a list of addresses and values, but a map of your business as it really operates:

- Who owns what and what's mortgaged
- Where the income goes
- And what risks may be hiding in plain sight

This process isn't about finding problems; it's about discovering *possibilities*.

Most landlords are further along than they realise; they just need a fresh pair of eyes and a bit of strategic insight to pull everything together.

### **What Happens Next — Clarity, Confidence, and a Sense of Control**

For many landlords, just going through this early process, the tailored Fact Find, the email correspondence, and the deeper dive into the property schedule is a turning point.

They start to see their business not just as a collection of assets, but as something living, structured, and with real continuity potential.

They stop worrying about how things might unravel... and start imagining how things might *unfold*, with clarity, with confidence, and with family involvement at a pace that feels natural.

What we've found again and again is that this clarity leads to calm, not just about retirement, but about the *journey between now and then*.

It's no longer a choice between staying in control *forever* or giving it all away. There's now a third option, stepping back, gradually and securely, while still being part of the legacy.

That's the shift.

For many of the landlords we work with, it's the first time they've felt truly free, not because they've let go, but because they've begun *preparing to*.

### **Preparing Early Is a Gift - To You, and to Them**

I've come to believe that early planning isn't just sensible, it's **kind**.

It's kind to yourself because it lifts a weight.

It's kind to your family because it spares them the pressure and uncertainty that so often follows when clarity is missing.

It's also kind to the business because it gives it the best possible chance of continuing to serve the people it was built for.

Planning early doesn't mean walking away. It means creating space for rest, for family, for new chapters, while still holding the steering wheel as long as you choose.

You don't need to have all the answers today, but you do need to start asking the right questions.

- What do I want this business to do after I'm gone?
- What would a smooth handover look like, one I could enjoy being part of, not just imagine?
- How can I help my children take an interest, step in gradually, and feel proud to continue what I've built?

That's where legacy begins, and that's what we're here to support.



### Ready to Start the Conversation?

If you've found yourself nodding along as you've read this, thinking '*yes, this is me*', then now might be the right time to take the next step.

No pressure. No obligation to make big decisions. Just a clear, structured process that starts with a single conversation.

We offer a **£400 fixed-fee consultation**, designed exclusively for landlords like you, business owners who are thinking seriously about retirement, continuity, and what it means to leave a legacy that lasts.

### What You'll Receive for Your £400 Fixed-Fee Consultation

This initial consultation is designed to help you step back and reflect strategically, not just on your property business, but on your long-term goals, family dynamics, and future planning.

It's the first step in what may become a much broader journey, but at this stage, there's no pressure to commit to anything further.

Here's exactly what's included:

A comprehensive planning report, written in plain English and tailored to your specific circumstances. This will cover:

- The most appropriate ownership structure(s) for your business to operate within, and what that transition might look like
- Options for stepping back gradually, while still receiving income and retaining oversight
- Retirement and restructuring pathways, including strategies for refinancing, de-leveraging, or transitioning to legacy-friendly structures
- Guidance on how to pass on value with minimal disruption, balancing control, family involvement, and long-term security
- Considerations around future lending, risk separation, and intergenerational planning

If you decide to proceed beyond the initial consultation, we can support you with complete Project Management to assist you in implementing our recommendations. This includes liaison with your existing advisers or referrals to other trusted professionals who understand the needs of portfolio landlords.

Fees for follow-up meetings and implementation support are quoted individually based on the complexity of your case.

## Why This First Step Matters

Planning early gives you more than just technical answers; it gives you breathing room.

It allows you to make decisions gradually, with clarity, and on your own terms. Whether your goal is to retire, restructure, involve family, or simply prepare for the future with less pressure, this first step ensures you're not facing it alone.

This journey often starts with a spark of inspiration. We hope this article has been that spark.

What happens next is up to you, whether it's an idea, a plan, or full implementation. Whatever you decide, we are ready, willing and able to guide you every step of the way.

Our consultation service covers business growth, financing strategies, de-leveraging, retirement planning, business continuity and legacy planning for landlords. The process is written, structured and client-led. It is not a phone call or face-to-face meeting. We base our recommendations on a conditional-logic Fact Find followed by focused email exchanges. Your inputs drive the analysis and the priorities. Our role is to organise the options, test commercial feasibility, and document an implementation plan that your own accountant, solicitor and regulated advisers can execute. We are happy to introduce you to specialist advisers where necessary.

## Scope of topics we cover

- Business continuity and lender management, including target LTV setting and liquidity buffers
- Succession and legacy planning that keeps control tidy
- Structuring options, company housekeeping and Family Investment Company considerations, with clear signposting to legal drafting where needed
- Refinancing pathways, broker briefing notes, and the documents underwriters expect to see
- Valuations approach using AVMs for portfolio snapshots and when to commission a full valuation
- Insurance strategy at a commercial level, including whole of life sizing logic and ownership routes, with referral to a regulated adviser for product selection
- Governance pack items such as shareholders' agreements, members' agreements, Wills and LPAs, flagged for your solicitor to draft or update

## How it works

- You complete our conditional-logic Fact Find and property schedule
- We follow up by email to clarify objectives and any missing data
- We prepare a tailored 30+ page written report setting out your options, worked examples, risks, and recommended next steps

## What you receive

- A 30+ page personalised report with numbered recommendations and a clear sequence of actions

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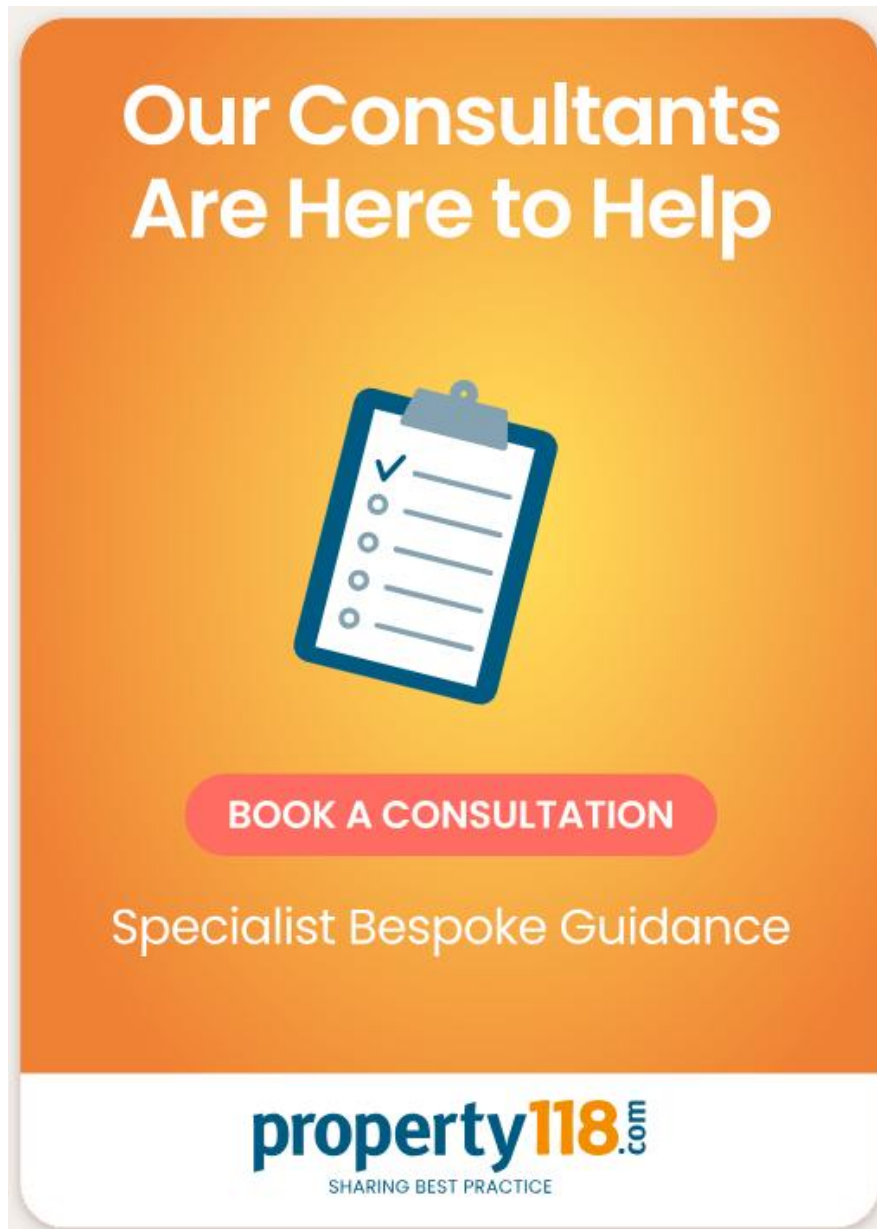
### **Important Notice – Scope of Planning Support**

Property118 does not provide formally regulated or insured advice on law, tax, or financial services, including life insurance, mortgages, pensions, or investment products.


Our role is to present researched planning recommendations based on our interpretation of current legislation, HMRC guidance, established case law, and our extensive experience supporting UK landlords.

While our bespoke recommendations are always based on detailed research, we strongly recommend that you share them with appropriately regulated professional advisers, such as your solicitor, accountant, or financial adviser, and ask them to review and confirm the correct legal and tax treatment before proceeding.

Property118 is happy to work with your existing advisers or introduce you to trusted professionals. Our planning is designed to support you in making commercially led decisions that can then be implemented through appropriate regulated channels.



**Our Consultants  
Are Here to Help**



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## Appendices

### Assumptions for the Worked Example in Chapter 2

- Growth: **6% per annum** (conservative, below long-term averages).
- Borrowing: **75% LTV**.
- Refinancing: reset to **75% LTV every 5 years** (equity recycling).
- Borrowing is **interest-only** for simplicity.
- Time horizon: **35 years**.

### Scenario – Starting with £100,000 seed capital

*Mechanics:* Between refinances, debt stays flat and the portfolio value grows, so LTV drifts down. At each 5-year point we refinance back to ~75% LTV and use the released equity as 25% deposits on additional properties (also at 75% LTV). Immediately after reinvestment the whole portfolio is back at ~75% LTV.

Year	Stage	Portfolio Value	Debt (£)	Equity (£)	LTV (%)
0	Start (75% LTV)	£400,000	£300,000	£100,000	75%
5	Pre-refinance	£535,290	£300,000	£235,290	56%
5	Post-refinance (reset incl. new acquisitions)	£941,161	£705,871	£235,290	75%
10	Pre-refinance	£1,259,486	£705,871	£553,615	56%
10	Post-refinance (reset incl. new acquisitions)	£2,214,460	£1,660,845	£553,615	75%
15	Pre-refinance	£2,963,447	£1,660,845	£1,302,602	56%
15	Post-refinance (reset incl. new acquisitions)	£5,210,407	£3,907,806	£1,302,602	75%
20	Pre-refinance	£6,972,700	£3,907,806	£3,064,895	56%
20	Post-refinance (reset incl. new acquisitions)	£12,259,580	£9,194,685	£3,064,895	75%
25	Pre-refinance	£16,406,083	£9,194,685	£7,211,398	56%
25	Post-refinance (reset incl. new acquisitions)	£28,845,593	£21,634,195	£7,211,398	75%
30	Pre-refinance	£38,601,910	£21,634,195	£16,967,716	56%
30	Post-refinance (reset incl. new acquisitions)	£67,870,863	£50,903,147	£16,967,716	75%
35	Pre-refinance	£90,826,524	£50,903,147	£39,923,377	56%
35	Post-refinance (reset incl. new acquisitions)	£159,693,509	£119,770,132	£39,923,377	75%

Notes: Illustrative only. Ignores rent, tax, fees, voids, rate changes and lender criteria. Figures rounded. The “Post-refinance” rows reflect adding new assets using the released equity as 25% deposits, so the expanded portfolio resets to ~75% LTV each cycle.

### Historic Perspective – Why These Numbers Are Realistic

Sceptics might ask whether the worked examples are too optimistic. The truth is, they are conservative when set against the long sweep of history.

During the 70-year reign of Queen Elizabeth II, average UK property values increased more than 140-fold. A modest home that cost £2,000 in the early 1950s could be worth nearly £300,000 by 2022.



That equates to an average compound growth rate of around 7% per year over seven decades. In our worked examples we have used 6% — deliberately cautious.

When you apply that growth rate to leveraged portfolios, the effect compounds dramatically. This is why landlords who start with small deposits often find themselves, within one working lifetime, holding estates worth millions.

Here lies the problem: in a **standard Limited Company**, every pound of that equity sits in the founders' estate, waiting to be taxed at 40% on death.

This is why so many experienced landlords, looking back, now say the same thing:

*"If only we had structured differently from the outset."*

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## Technical Notes on Trusts and IHT Charges

- **Discretionary Trusts and the Relevant Property Regime**  
Discretionary trusts normally fall within the relevant property regime, which imposes 10-year anniversary charges (up to 6% of the trust's value) and exit charges when assets leave the trust.
- **Why Growth Shares Do Not Trigger Periodic Charges In A Well Structured FIC**  
In a well structured Family Investment Company, the trust holds only growth shares. These shares carry the right to future appreciation but have no determinable market value until a sale or liquidation. As a result, no anniversary charges apply during the lifetime of the company.
- **Treatment of Frozen Shares**  
Founders retain frozen shares that reflect their original seed equity. These remain within their personal estates and are exposed to inheritance tax at 40% on death. The exposure is capped at this frozen value.
- **Exit Charges**  
If distributions are made from the discretionary trust following a sale or winding-up, exit charges may apply. However, this is a controlled event and can be managed within broader estate planning.
- **Interaction with IHT Planning**  
The combination of frozen shares (in founders' estates) and growth shares (in trust) ensures that inheritance tax applies only to the original seed capital, while protecting all future growth for the bloodline.

## Glossary of Key Terms

- **FIC (Family Investment Company):** A private limited company structured with frozen and growth shares to protect against inheritance tax.
- **Frozen Shares:** Share class held by founders, fixed at the value of their seed equity.
- **Growth Shares:** Share class owned by a discretionary trust, capturing all future appreciation.
- **Discretionary Trust:** A trust where trustees control how and when beneficiaries benefit, providing bloodline protection.
- **10-Year Anniversary Charge:** A potential inheritance tax charge of up to 6% under the relevant property regime. An FIC can be structured to defer this until crystallisation, so that it does not arise until the company is sold or liquidated, and may never arise if the business continues across generations..

- **GAAR (General Anti-Abuse Rule):** A UK rule designed to counteract abusive tax arrangements. It does not apply to commercially motivated FICs.
- **DOTAS (Disclosure of Tax Avoidance Schemes):** HMRC regime requiring disclosure of avoidance schemes. FICs have never been notifiable.
- **Director's Loan Account:** Balance owed by the company to its founder(s), repayable tax-free.
- **Inheritance Tax (IHT):** A 40% tax on estates above the nil-rate band, which FICs are designed to mitigate.
- **LTV (Loan-to-Value):** The ratio of borrowing to property value.