

Family Investment Companies (FICs)



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Typical objectives



Founders of the FIC

- Succession planning
- Protect family wealth
- How to maintain control
- How is the FIC to be invested
- Support next generations
- Exploring the early gifting of wealth

- Income from the FIC investments
- Access to capital
- How much of the distributable profits are being distributed and how much are being retained?
- Very different perspectives in terms of accessing wealth
- Charitable and philanthropic concerns
- Awareness of their interest

Junior members of the FIC



What is a FIC?



Definition and purpose

A FIC is a private company created to manage investments and property for a family with tax efficiency and succession planning in mind



Control and succession

FICs allow founders to maintain control over assets while facilitating smooth wealth transfer to future generations.



Governance and strategy

FICs centralise investment management providing a structure for governance, continuity, and strategic family decision-making.

Structuring and Funding Options

To set up and fund	Family Investment Company	Practical Planning Points
Corporate structure	Limited or Unlimited company	Unlimited has fewer reporting requirements at Companies House. Limited requires public accounts; Unlimited often does not.
Funding with an asset/s	Disposal for CGT/SDLT	Possibility of “incorporation relief” if the transfer of a business
Cash: Share Capital	Unlimited and tax-free	Differing share classes and rights “Alphabet shares”
Cash: Loan	Flexible terms Can charge a commercial rate of interest	Repayable on demand if interest free to avoid being treated as a Chargeable Lifetime Transfer i.e. no transfer of value by founders

Share Capital

Share Capital Characteristics	Family Investment Companies	Practical Planning points
Voting rights	Shares can have full, restricted or no voting rights	With voting rights, founders can maintain control while gifting future growth to family
Income Rights	Alphabet shares provides more flexibility	Consider complete flexibility or defined amounts for a given share class.
Capital rights	Equal entitlement is typical	Preference shares primarily used to structure wealth transfer and income distribution, allowing founders to retain control via voting shares while passing capital value to the next generation.

Planning Strategies



Growth Shares

Founders often retain voting shares that hold a fixed capital value

Gift “growth” shares to children or a trust

Growth shares have little or no value at outset with minimal exposure to CGT or IHT

All future growth/capital appreciation belongs to the holders of the growth shares

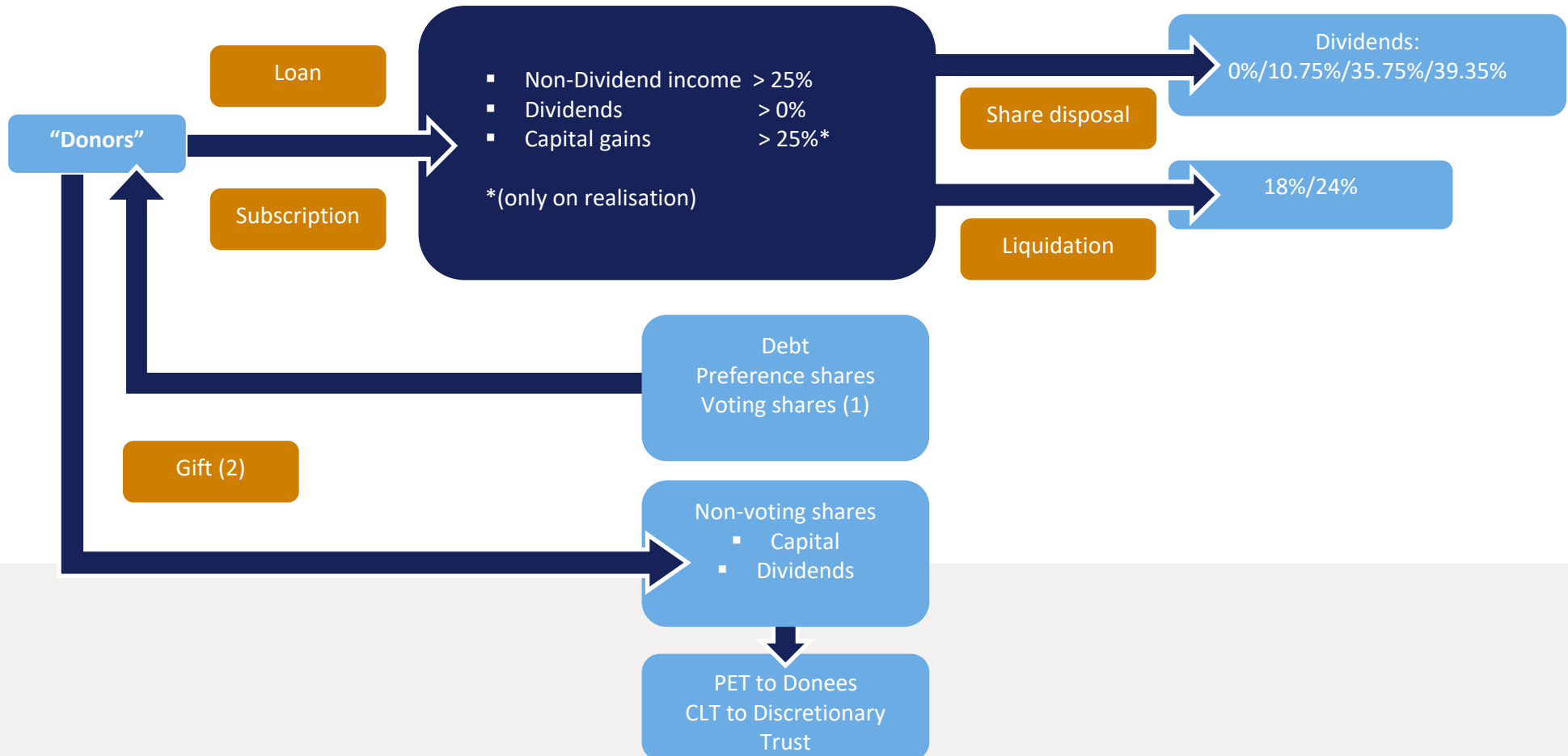
Outside the taxable estate of the founders

- Gift non-voting shares
- Value freezing. The value of the gift is frozen at the date of transfer
- All future growth is outside parents/donors estate

Non-Voting
shares



Family Investment Company (FIC)



Taxation



Corporation tax

The FIC will pay corporation tax at 25% as the small profits rate of 19% does not apply to “close investment companies”

Still a significant reduction as compared to the top rate of income tax meaning higher post –tax profits for reinvestment



Dividends

Most dividends received by a UK company (including foreign dividends) are exempt from corporation tax



Capital Gains

Capital gains on a disposal by the company taxed at 25%

Care re accounting treatment of the FIC

FRS 102

FRS 105

Individual Taxation



Dividend Income
taxed at:

- 10.75%
- 35.75%
- 39.35%

Dividend
Allowance of £500



Control the
amount of
dividend income
arising

Directors can
declare dividends
on one class of
shares without
declaring them on
others



Shareholders pay
IHT on the value
of their
shareholdings

Consider
discounts when
valuing
shareholdings



FIC can make pension
contributions to
employees

Management expenses



Expenses incurred by the FIC including managing investments and running the business will be eligible for corporation tax relief



This will include investment manager fees and any remuneration paid to directors / employees



An individual investor cannot claim tax relief on expenses incurred on an investment portfolio



Case study: Family Investment Companies (FICs)



Client profile

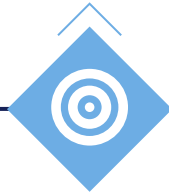
Exited founder, aged 58

Sold business 3 years ago

Married, two adult children aged 26 and 29

Investible assets - £8m

No immediate need for income



Requirements

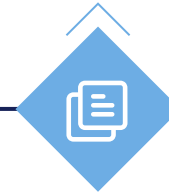
Long-term investment solution for investible capital

Intergenerational planning whilst retaining control

Capital to be reinvested and compounded efficiently

Flexibility over timing and level of distributions to children

Structure that can change and evolve as family circumstances change



Considerations

Client reluctant to make large outright gifts at this stage

Desire to retain some control over investment decisions

Potential future IHT exposure

Children at different life stages with varying financial maturity

Need to balance long-term growth with family governance

Family Investment Companies (FICs)

Creation and structure



Funds provided via an “interest-free” loan or by share subscription

Founders can subscribe for voting shares giving control at shareholder and board level

Other non-voting share classes can be created for other family members

Succession planning



Retention of A shares means founder controls the company

A-shares will be deemed to have a greater value than non-voting shares

Not regarded as transfer of value for IHT purposes

Shares can be gifted to family members as a PET

Increase in value of gifted shares outside of founder’s estate

Gifted shares outside of estate after 7 years

Business relief not available

Taxation



Profits subject to corporation tax at 25%

Dividends are typically exempt from UK tax – franked income

Interest and rental income subject to corporation tax

Capital growth liable to corporation tax following a disposal

No indexation allowance

Debt instruments taxed on a YoY basis

Drawdowns



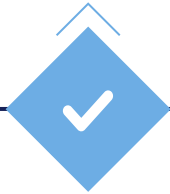
Profits typically extracted by loan repayments and/or dividends

Can take PAYE salary

Loan repayments are tax-free for individuals

Dividends extracted are subject to dividend tax rates

Advantages vs Disadvantages



Advantages

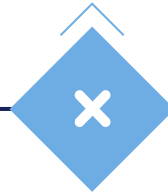
Corporation tax more favourable than IHT and Trust regime

Long-term control maintained via Articles of Association and Shareholder Agreement

Large amounts can be invested/gifted - succession planning not limited by NRB

Dividends at corporate level not taxed

Shares structure can be very bespoke



Disadvantages

Company value and assets potentially in the public domain

Managing corporation tax liability on realised gains

Potential for double taxation on distributed profits and wind-up

Complexity of valuations for IHT

Reporting and accounts

Costs and fees

FIC as an investment vehicle

GBP Global Direct Medium High Income

Positioning

Equities 78.4%

Energy	4.6%
Utilities	6.1%
Materials	6.8%
Communication Services	5.8%
Consumer Discretionary	4.2%
Industrials	8.6%
Health Care	9.3%
Financials	16.0%
Information Technology	14.9%
Real Estate	2.2%

Fixed Income 14.9%

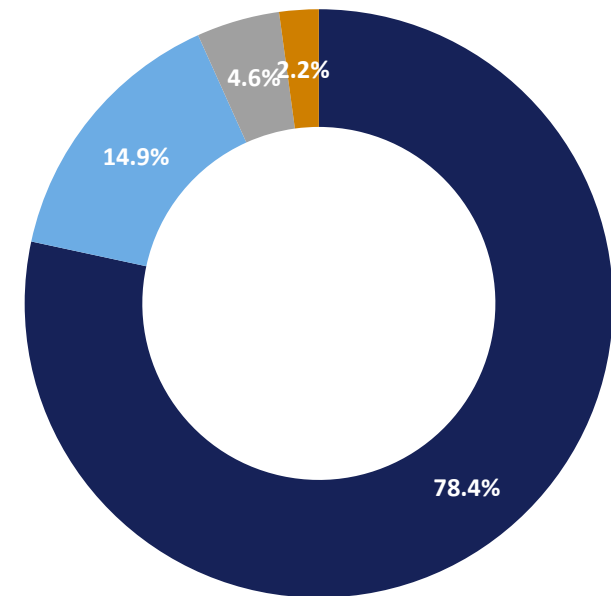
Corporate Bond Funds	6.9%
Government Bonds	8.0%

OCF	0.057%
Transaction Fees	0.019%
Performance Fees	0.000%
Total Fund Fees	0.076%

Alternatives 4.6%

Infrastructure	3.1%
Renewables	1.5%

Cash 2.2%



■ Equities ■ Fixed Income ■ Alternatives ■ Cash

Source: LGT, 31 August 2026 (Costs and charges as at 30 June 2026).

GBP Global Direct Medium High Income

Annual Performance (%) to 31st August 2026	YTD	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
GBP Global Direct Medium-High Income	8.9	11.8	8.1	10.8	-10.7	16.0	9.2	20.6	-4.5	11.8	18.2
ARC Sterling Steady Growth Index (Performance Target)	7.8	9.8	7.9	7.2	-10.2	10.2	4.6	15.0	-5.6	9.4	11.6
Comparative Index	10.4	13.1	12.8	12.4	-8.2	14.1	3.2	17.5	-4.5	10.5	19.6

Cumulative Performance (%) to 31st August 2026	3 Months (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)
GBP Global Direct Medium-High Income	1.2	18.0	42.5	34.1	118.5
ARC Sterling Steady Growth Index (Performance Target)	1.8	13.3	33.7	24.3	73.5
Comparative Index	1.0	16.5	49.3	49.1	111.3

Investors should be aware that past performance is not a reliable indicator to future performance.

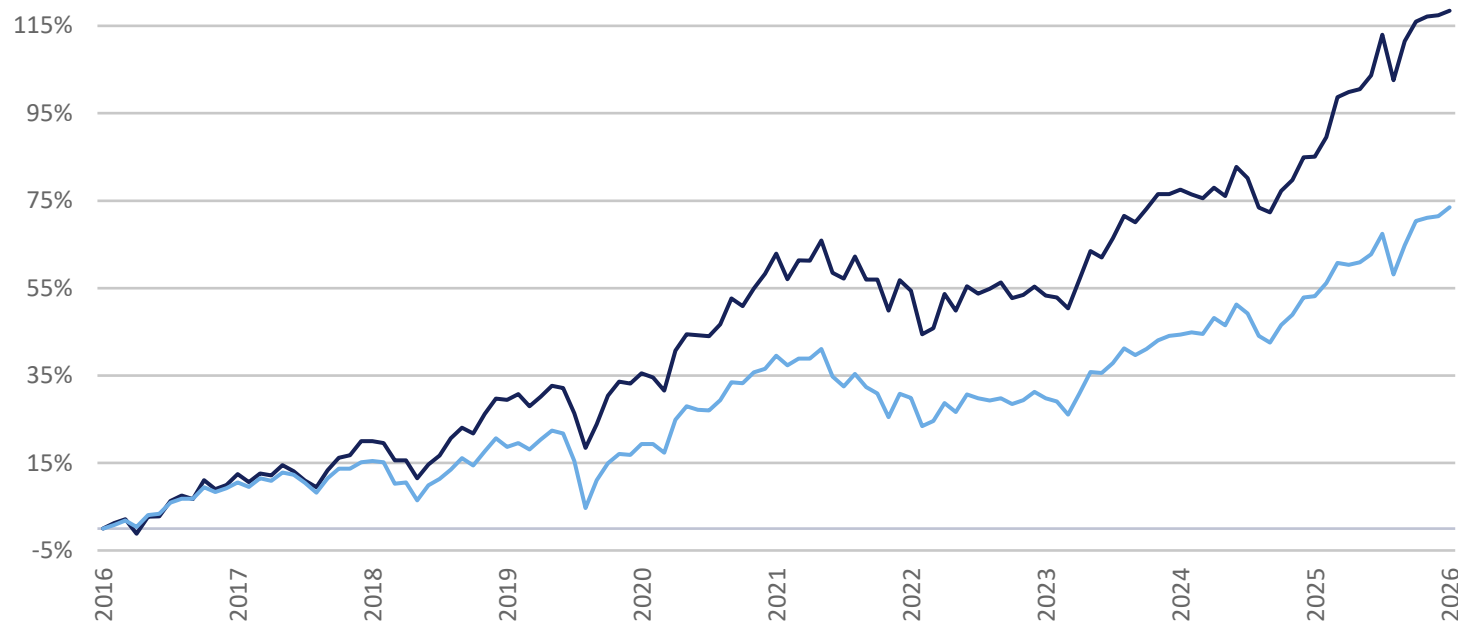
Source and calculation basis: FactSet, Close of Business, Sterling, Gross of Fees

ARC Research Ltd PCI www.suggestus.com, 31st August 2026.

Comparative Index from 1/10/2025 is 60% MSCI ACWI, 35% Bloomberg Global Aggregate (GBP Hedged), 5% SONIA. From 1/1/2022 to 30/9/2025 18% FTSE All Share, 42% FTSE World ex UK, 15% FTA Govt All Stocks, 15% ML Sterling Non Gilts, 10% SONIA. From 1/12/2021 to 31/12/2021 30% FTSE All Share, 30% FTSE World ex UK, 15% FTA Govt All Stocks, 15% ML Sterling Non Gilts, 10% 1m LIBOR. From 1/1/14 to 30/9/2021 40% FTSE All Share, 20% FTSE World ex UK, 15% FTA Govt All Stocks, 15% ML Sterling Non Gilts, 10% 1m LIBOR.

GBP Global Direct Medium High Income

Cumulative Performance since 1st September 2016 to 31st August 2026



Performance history

GBP Global Direct Medium High Income	118.5%
ARC Steady £ Growth	73.5%

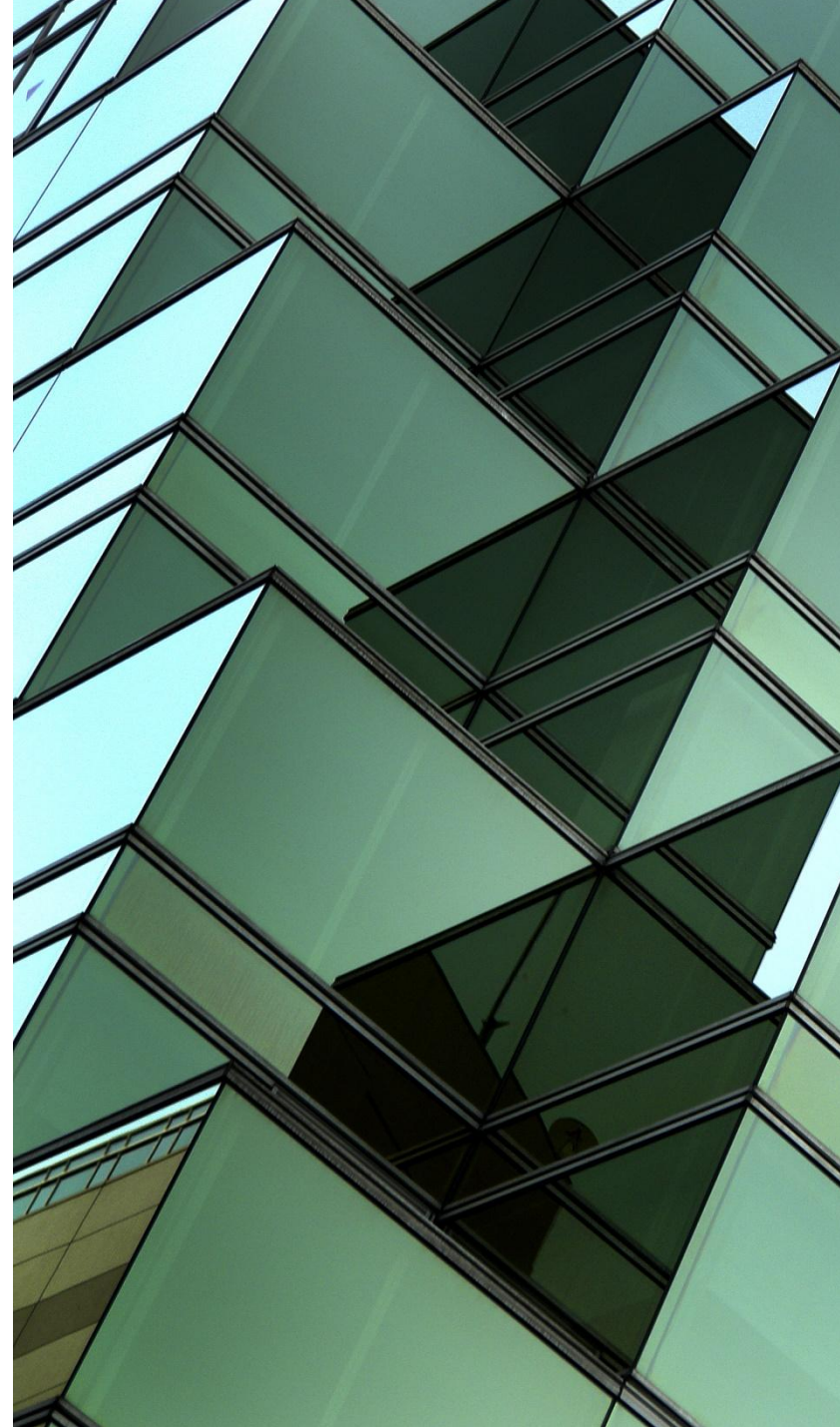
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In Summary.....

- Tax Efficiency and Wealth Accumulation
- Succession Planning (IHT)
- Control
- Asset Protection
- Flexibility in Structure – not one size fits all



Gilt Ladders



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Low coupon gilt ladder

Issuer	Coupon	Maturity	Dirty Price	YTM	YTM @ 40% tax	Gross equiv. yield @ 40%	YTM @ 45% tax	Gross equiv. yield @ 45%
United Kingdom Gilt	1.25	22/07/2027	97.45	4.15	3.89	6.49	3.83	6.96
United Kingdom Gilt	0.125	31/01/2028	94.55	4.08	4.26	7.10	4.25	7.73
United Kingdom Gilt	0.50	31/01/2029	90.65	4.34	4.46	7.44	4.43	8.06
United Kingdom Gilt	0.875	22/10/2029	88.82	4.34	4.37	7.28	4.32	7.85
United Kingdom Gilt	0.375	22/10/2030	83.66	4.46	4.60	7.67	4.58	8.32
United Kingdom Gilt	0.25	31/07/2031	80.24	4.51	4.69	7.82	4.68	8.50
United Kingdom Gilt	1	31/01/2032	81.47	4.65	4.45	7.42	4.39	7.98
United Kingdom Gilt	0.875	31/07/2033	75.68	4.82	4.62	7.70	4.56	8.30
United Kingdom Gilt	0.625	31/07/2035	67.45	4.82	4.87	8.12	4.83	8.77

This example is shown gross of any fees and assumes there is no reinvestment when the gilt matures, and that each gilt is held to maturity. Prices are indicative, taken on 14th September 2026 and will change over time.

YTM (Yield to Maturity) – The annualised yield if the bond was purchased today at the given price and held until maturity.

GEY (Gross Equivalent Yield) – The annualised pre-tax yield on a fully taxable investment that would leave the investor in the same after tax position as buying the selected gilts on the 14th of September 2026 and holding until maturity.



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