SENECA
GROWTH CAPITAL VCT PLC

Example VCT client planning scenario

Consider the following scenario:

- **George is in his 50s**, married, with his children no longer dependent
- He is a **well-paid employee** and is looking to invest his spare income to help with his retirement intended for around age 60
- His **pension is out of the question** as already significant due to his earnings levels and ISAs are already accounted for
- As a result George and his **adviser decided to invest in VCTs**
- George and his adviser decided to invest £20,000 on an annual basis **spread across multiple VCTs to increase diversification**
- Over a five-year period George **therefore invested £100,000** in VCTs **saving £30,000 in income tax**

At the five-year point George had the following options in relation to the Year 1 £20k he had invested:

1. Sell the Year 1 VCTs (via the Year 1 VCTs share buy back facility) and **retain the cash**
2. Sell the Year 1 VCTs and **invest elsewhere**
3. **Retain the Year 1 VCTs** as a tax-efficient income-producing investment throughout retirement
4. Sell the existing Year 1 VCTs and **buy more VCTs** (Year 6), but still retain the tax-efficient income through retirement

George decided to go with option 4

- This created a **second tranche of 30% income tax relief** on this Year 6 £20k investment
- George intends to **continue with this strategy** of selling the VCT investments that pass through the 5-year hold period and reinvesting in VCTs
- This will **generate further tax relief** on the income created from his pension scheme through his existing VCT portfolio

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George's cash flows

Target returns are not guaranteed. Capital at risk.

George's Cash Flow	Year 1	Year 2	Year 3	Year 4	Year 5	Sub Total	Year 6	Year 7
	£	£	£	£	£	£	£	£
Investment in VCTs	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(100,000)		
Income Tax Relief Obtained at 30%	6,000	6,000	6,000	6,000	6,000	30,000		
Sale Proceeds							20,000	20,000
Reinvestment into VCTs							(20,000)	(20,000)
Income Tax Obtained at 30%							6,000	6,000
George's Net Cash Flow	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)	(70,000)	6,000	6,000
Dividend received at 5% pa	1,000	2,000	3,000	4,000	5,000	15,000	5,000	5,000
George's Post Divi Net Cash Flow	(13,000)	(12,000)	(11,000)	(10,000)	(9,000)	(55,000)	11,000	11,000
George's VCT Investment Portfolio Value	20,000	40,000	60,000	80,000	100,000	100,000	100,000	100,000
George's Net Investment Cost	13,000	25,000	36,000	46,000	55,000		55,000	55,000
Effective Dividend Yield							9%	9%
Effective Tax Relief Yield							11%	11%
Effective Total Investment Yield							20%	20%