

Capital Investment Bond

Suitability report



For adviser use only (not to be relied on by anyone else)

Before giving advice to your clients, you will have carefully considered their financial needs, their attitude to risk and their own individual circumstances, as all these factors will influence the recommendations that you make to them.

This document contains some factual information you may find of use when drafting your suitability reports. The headings and layout are only examples and should not be taken as a guide for how your suitability report should look or what it should include.

You are solely responsible for making sure that the content of your report is current, appropriate, tailored for each client and meets regulatory requirements. We are not providing advice where you use any of this wording to contact your clients.

No responsibility is accepted by Standard Life for your reliance on, or use of, this information which is supplied at your own risk.

A top performer

Standard Life is recognised as being one of the country's top unit-linked bond providers. Our Capital Investment Bond contract has two charging structures, 'Level' or 'Stepped', offering choice to your clients, along with an award-winning customer service. It should, however, be remembered that past performance is not a reliable guide to future performance.

What benefits does the Capital Investment Bond offer to your client?

1) A world of investment choice and flexibility

By choosing to invest in the Capital Investment Bond your client has the option of investing for capital growth, income or a balance between the two. It is a flexible bond which can adapt to meet your client's needs should they change. The Capital Investment Bond is intended as a medium to long-term investment and should be held for at least five years.

2) Investment choice and flexibility

Our *sigma* concept means your client can choose from a wide range of funds carefully selected from some of the UK's leading asset management companies.

Please refer to our website – www.standardlife.co.uk for details of the funds available. Clients can invest in up to 100 funds at any one time.

There is no charge for switching funds.

Your client's Capital Investment Bond is flexible as it is divided into a number of identical policies/segments. Individual policies/segments can be dealt with separately without affecting the tax benefits of other policies/segments in the plan.

3) Access to the investment

An investment in the Capital Investment Bond does not mean that your client's money will be locked away. They can cash in all or part of their bond, take regular withdrawals or, if they have invested in the Distribution Fund, take an income. There are conditions on how much can be taken out, and charges may apply. These are explained in the Capital Investment Bond Key Features Document (CIB17).

The cash value is not guaranteed. The value of investments and any income derived from them depends on the underlying assets and can go down as well as up. Your client may get back less than their initial investment. Taking withdrawals from the bond could use up some of the original capital.

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4) Tax benefits

Your client will have no liability to lower or basic-rate Income Tax on the proceeds of the bond. With effect from 6 April 2008, Capital Gains Tax will be charged at a flat rate of 18%, regardless of your client's tax band. If the addition of the gain to your client's income takes them into the higher-rate bracket, the tax payable may be reduced by 'top-slicing'.

What about tax on withdrawals?

No gain will arise on partial withdrawals as long as the amount withdrawn in any policy year does not exceed 5% of the total amount invested in the bond. The 5% allowance is available for a maximum of 20 years; any unused part of the 5% allowance may be carried forward to future years.

Your client will not have to pay tax if they switch their investment between funds.

When your client incurs a chargeable gain, the addition of the gain to their income may adversely affect any age allowance to which they are entitled (but their allowance cannot be reduced below the level of the ordinary tax allowance), or it may affect their entitlement to working tax credit and child tax credit.

We pay tax on the income and gains of the funds' investments at the rate applicable to insurance companies.

Tax and legislation are likely to change. The information provided here is based on Standard Life's current understanding of law and HM Revenue & Customs practice at the date of publication.

5) Peace of mind

Life cover

If your client dies before they have cashed in their Capital Investment Bond the amount normally paid out is 100.1% of the bid value of units, thus giving them the peace of mind that their family or dependants will receive a valuable cash sum.

Your client will have chosen to set up their Capital Investment Bond as either:

- single-life, this means that life cover is payable on their death, or
- joint-life, last survivor, this means that life cover is paid out only on the death of the last survivor.

6) Optional benefits

a) Regular withdrawal option

Although your client has invested their money with medium to long-term aims, their investment is not tied up. By taking regular withdrawals (eg £100 per month) they can supplement any other income they have. Your client can choose to withdraw a set amount or a set percentage of the amount they originally invested. All regular withdrawals are made by cancelling units evenly across funds with the exception that withdrawals cannot be made from the Distribution Fund. There are conditions about how much can be taken out which our Key Features Document explains. For example, if the client chooses the Stepped Charging Option, they can only withdraw up to 7.5% of the total amount invested per year, and if the client chooses the Level Charging Option, they can only withdraw up to 10% of the total amount invested per year.

Taking withdrawals from the bond could use up some of your client's original capital.

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b) Distribution option

Investing in the Distribution Fund allows your client to take a regular income from their investment, without necessarily making withdrawals from their capital. They can choose to start receiving income from the first 16th of the month following their investment.

The client has chosen to take either:

- the full distribution (Standard Life will declare every six months in February/August)
- a percentage of the original investment
- a set cash amount
- no income but have the distribution used to re-invest additional units in the Distribution Fund.

If there is insufficient capital growth from the investments to meet the chosen distribution the shortfall will be taken from the capital.

The client will have chosen to take the income:

- every month
- every three months
- every six months, or
- every year.

They can change the options at any time by writing to Standard Life.

c) Charges

The payment made buys units in the Capital Investment Bond. The number of units bought depends on the client's age and how much they are investing. The Annual Management Charge they will pay depends on which charging option they select and which funds they choose. The Key Features Document explains the charging options.

An exit penalty is applied to the 'Stepped' charging option if the bond is cashed in within the first five years.

Your client cannot switch between the 'Level' and 'Stepped' charging options once the bond has been set up. We can increase the charges we make. We may do so in the future if our costs are higher than originally expected.

d) Additional Investments

At some time in the future, your client may want to invest more money in their bond. They can make further investments of at least £1,000 at any time. They can make as many additional investments as they like and they can time these investments to suit their own circumstances.

e) Phased Investment option

The Phased Investment option allows clients to take a more cautious approach to investing. Phased Investment means that, instead of investing all their money upfront, your client invests small amounts more regularly. This potentially allows them to take advantage of any fluctuations in the market, as the average unit-price for a fund may be lower than a traditional upfront investment. So, when prices are down, your client can buy more units in their choice of funds, and, when prices are up, your client can buy less units in their choice of funds.

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7) Estate planning needn't be taxing

Standard Life offers various trust options that clients can use to plan for Inheritance Tax (IHT) with their bonds. The wording below can be used to support your recommendation.

Gift Plan

The Gift Plan is suitable because your client wants to make a gift to reduce their estate for IHT purposes, assuming they survive for seven years after making the gift. Any growth in the Trust will be immediately outside their estate for IHT purposes. Your client can make additional lump-sum gifts to the Gift Plan after it has been set up. Since your client is making a gift, they will not have access to the capital or the income from the Plan for their personal use. The Gift Plan can be set up using either a Discretionary Trust, an Absolute Trust or a Flexible Trust.

Discounted Gift Plan

The Discounted Gift Plan is suitable because your client wants to make a gift to potentially reduce their estate for IHT purposes (assuming they survive for seven years after making the gift), whilst retaining the right to fixed regular withdrawal payments. There is a possibility that your client may receive a discount that may reduce the value of the gift for IHT purposes. This depends upon factors such as the underwriting option they choose, their age and state of health and the chosen fixed regular withdrawals. Any growth in the Trust will be immediately outside their estate for IHT purposes.

Since they are making a gift to the Trust, they will not have the right to ask the Trustees to repay them the capital. They will only have a right to the fixed regular withdrawals specified at outset. The amount and frequency of these withdrawals cannot be changed in the future, and will continue for the lifetime of your client unless the value of the bond reduces to nil. The Discounted Gift Plan can be set up using either a Discretionary Trust, an Absolute Trust or a Flexible Trust.

Loan Plan

The Loan Plan is suitable because your client wants any growth in the Trust to be outside their estate for IHT purposes. As your client is not making a gift, the Trustees can make loan repayments to your client in the form of withdrawals.

The Gift Plan can be set up using either a Discretionary Trust, an Absolute Trust or a Flexible Trust.

Discretionary Trust

A Discretionary Trust is suitable for your client as it allows them to indicate whom they would like to benefit from the Plan on their death, but the Trustees have the final choice on who benefits from those outlined in the Trust. By using a Discretionary Trust, your client realises that the investment will be treated as a chargeable transfer for IHT purposes, which means periodic and exit charges may apply.

Absolute Trust

An Absolute Trust is suitable for clients who want to specify the Beneficiary(ies) when the Plan is set up. The specified Beneficiary(ies) cannot later be changed. Your client realises that if an Absolute Trust is used and a named Beneficiary dies, their share of the value of the trust assets will form part of their estate for IHT purposes. Your client should also be aware that by using an Absolute Trust, the Beneficiaries (once they become adult) can demand their share of the Trust assets at any time.

Flexible Trust

A Flexible Trust is suitable for your client as it allows the Trustees to choose who benefits from a wide class of Beneficiaries as defined in the Trust. At outset your client will specify a 'Main Beneficiary or Beneficiaries' who will benefit if the Trustees do not make any appointment. By using a Flexible Trust, your client realises that the investment will be treated as a chargeable transfer for IHT purposes, which means periodic and exit charges may apply.

Product Name

Why Standard Life?

Experience

We have been looking after our customers for over 180 years and currently approximately over 7 million people worldwide rely on us for their financial needs.

Like most people, your clients will want to know that their financial future is in good hands. We place a great deal of importance on getting their money to work hard for them; that's why we believe your clients can have confidence in us.

Investment performance

Choose from a quality fund range. The bond is designed to offer your client a manageable choice of investment funds from an extensive selection of UK fund managers.

It should however be remembered that past performance is not a reliable guide to future performance.

Service

We are a company that believes in providing good service to all our customers. This means that we are committed to providing a good quality of service, and to dealing with your clients' queries or documentation with the minimum of fuss or delay.

How others see Standard Life

Although we know what we offer is good, it's also important that others see us in the same light. So it's pleasing to know that the Standard Life group has achieved:

Money Marketing Awards

Voted Company of the Year – 1999 to 2005 and 2007

Triple-E E-excellence rating – 2007

Financial Adviser Service Awards

Voted 5 Star Life and Pensions Provider – 1996 to 2007

Special Outstanding Achievement Award in recognition of winning the 5-Star award for 12 years in a row – 2007

Professional Adviser Awards

Best Product Provider Website (adviserzone) – 2005

Internet

You're welcome to visit our dedicated adviser website where you can find out more about Standard Life and our products at www.adviserzone.com