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# Offshore bonds and pensions

## Working together for a better retirement



An offshore bond as part of your client's pension planning is a way to provide virtually tax-free growth (like a pension), but retain access to funds and flexibility.

## Who benefits from offshore bonds and pension planning?

### Over the lifetime limit

Apart from a client who is already close to the lifetime limit, more clients than you might expect are at risk of breaching their lifetime limit. For example, a client aged 40 with a fund of £691,000 could be at risk of breaching the lifetime limit at age 65\*.

*\*Assumes the lifetime limit increases by 2.5% from 2010, fund achieves a return of 6% pa, retirement age 65 and no further payments (as at September 2007).*

### Retiring early

Clients who wish to retire before age 55 (50 up to 6 April 2010), but would be prevented from accessing their pensions fund.

### Unsure what the future holds

Your client may not wish to lock all their money away in a pension because they are concerned about future financial needs, for example, helping a child on the housing ladder.

### Taking tax efficient income in retirement

Offshore bonds have a part to play in providing an income as part of a wider retirement investment portfolio. Speak to your Standard Life Account Manager for details on how to minimise your client's tax in retirement using an offshore bond.

### Retiring abroad

Clients who retire to a country where they pay less tax will want to take advantage of that.

*Offshore bonds and pensions can help your client pay less tax.*

# Offshore bonds and tax savings

## Saving for retirement

### Top slicing

This can be used to reduce the tax on an offshore bond chargeable gain where it would otherwise make the individual a higher-rate taxpayer.

The slice is based on the gain divided by the number of complete years that the policyholder has held the bond.

*Use this to reduce higher-rate tax*

### Key benefits:

- The top slicing period is always from the start of the contract – so the longer the bond is held the better.
- Even higher-rate taxpayers can take advantage of this by becoming basic-rate taxpayers before they cash in their bond. Pension planning offers a perfect opportunity for this. Ask your Standard Life Account Manager for further information.
- Assign the bond to a lower rate taxpayer and they can use top slicing.

## Tax-free assignments

Transfer offshore bonds as a gift without triggering an Income Tax charge.

Transfer of the legal ownership of a policy can only be to an individual who is over 18 (16 in Scotland). Please note that by assigning a bond, the assignee takes full ownership of the bond.

*Income Tax and IHT benefits*

### Key benefits:

Assigning bonds or segments to a non-taxpayer, for example, to a grandchild to pay university fees, has double tax benefits:

- A non-taxpayer can set gains against their personal allowance – segments can be used to dripfeed money out.
- The value of bond becomes a 'Potentially Exempt Transfer' – this means there will be no IHT to pay provided the grandparent survives for seven years.

## Time apportionment relief

Clients who need to work or live for periods overseas can use the flexibility of an offshore bond.

*Use this to reduce tax*

### Key benefit:

If a policyholder has been a non-UK tax resident for part of the bond term then they can reduce the tax paid on their chargeable gain in proportion to the time they spent tax resident abroad.

## Taking an income

### Top slicing

In retirement top slicing can also play a part in providing a tax efficient income.

*Use this to reduce higher-rate tax*

#### Key benefit:

- Your client can now control their pension income in retirement with more flexibility than ever before. If your client decreases their income to the basic-rate level in the tax year when bond chargeable gains are taken, top slicing relief can be used. Ask your Standard Life Account Manager for further information on this.

### Personal allowance

Any chargeable gain from an offshore bond is liable to Income Tax as if it were an addition to a client's income. Any unused personal allowance can be offset against the gain.

*Pay no tax on gain within personal allowance*

#### Key benefits:

Your client can take further advantage of this:

- By dropping their income to zero before cashing in their bond. They now have the potential to do this in the drawdown phase by choosing not to take any retirement income in a particular year.
- When gifting money by assigning the bond to a non-taxpayer for them to cash in.



*Assign the bond to a basic-rate taxpayer – they can use top slicing*

# Offshore bonds and pensions can help your client pay less tax:

	Pensions	Offshore Bonds
Fund growth	Virtually tax-free	Virtually tax-free (withholding taxes may apply)
Payments	Tax relief to £3,600 or 100% of relevant UK earnings (subject to penalty if annual allowance exceeded)	No tax relief
Tax-free lump sum	Normally 25% of fund from age 55 (50 until 6 April 2010)	100% of original investment
Pension income	All income taxed at marginal rate	Only gains taxed (at savings rate or higher rate)
Reliefs available	<ul style="list-style-type: none"> <li>• Personal Allowance</li> </ul>	<ul style="list-style-type: none"> <li>• Personal Allowance</li> <li>• Top slicing relief</li> <li>• Time apportionment</li> <li>• Tax-free assignment</li> </ul>

There are no lifetime or contribution limits to worry about on offshore bonds and they give your client the ability to:

- access their investment at any time;
- time their withdrawals with favourable tax circumstances;
- use additional tax reliefs; and
- take tax deferred withdrawals of up to 5% a year (maximum 100% of total amount paid into the bond);
- assign the whole policy or policy segments to another person.

## Why Standard Life International?

### The International Bond offers:

Freedom	The flexibility to design your own charging structure.
Clarity	A 100% allocation rate.
Control	The ability to set your own allocation rate via rebated Funded Initial Commission.
Flexibility	100 segment arrangement (or a different number if required, subject to a minimum investment per segment of £200) – making it easy to divide the bond between several beneficiaries, should this be required.
Investment Choice	Access to an extensive range of Insured Funds, Mutual Funds, Whole of Market Funds, a panel of Discretionary Fund Managers and a selection of Deposit Accounts.
Service	Commitment to high quality service – a dedicated team of offshore specialists in Dublin deal with all your enquiries.

No guarantees are given regarding the effectiveness of any arrangement entered into on the basis of these comments.

Please note that the value of an investment may fall as well as rise and an investor may not get back the amount originally invested.

An assessment of your client's needs should be confirmed before a recommendation can be made. Key features, including a projection which is personal to your client's circumstances, should be provided if a recommendation for an investment product is made.

Tax and legislation is likely to change. All the information in this document relating to taxation is based on our understanding of law and tax practice in Ireland and the UK at the date of publication. The future tax position of the bond or your client's own tax position may alter.

Standard Life International is not responsible for any advice given on the basis of this document.