International Bond
Estate Planning

STANDARD LIFE

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

Transfer wealth without paying tax

Key Benefit

Invest offshore then transfer tax-free to non-taxpayers so they use their personal allowances when the bond is cashed in.

Who can benefit?

High net worth investors with a non-taxpaying spouse, civil partner or adult heirs.

How can an offshore bond help?

- **Invest offshore**

  Funds grow virtually tax-free for increased growth potential.

- **Transfer wealth tax-free to make the most of the recipient's personal tax allowance**

  Ownership of the bond can be transferred as a gift without triggering an income tax charge – this transfers full legal ownership, and the recipient is treated as having owned the bond since outset.

  The new bond owner, as a non-taxpayer, can use their personal tax allowance when they cash in the bond to reduce the tax they pay, so more of the money can go where it is intended. Please note that legal ownership of a policy cannot be transferred to an individual who is under 18 (under 16 in Scotland).

  The assigned bond becomes a 'Potentially Exempt Transfer' for Inheritance Tax (IHT) purposes. This means it is removed from the original investor's estate after seven years (if they are still alive) and will form part of the beneficiaries estate.

- **Or place a bond in trust to transfer wealth whilst retaining control**

  The bond can be placed in a trust and the client can then become a trustee to retain control of how the bond is invested and when and to whom it is paid out. For a bond that has already been set up, only Standard Life's Gift Plan is available. Alternatively, if the client wants to place their bond in a trust not drafted by Standard Life, they must seek advice from their legal representatives.

  Many trusts are designed to reduce IHT liability by taking the investment outside of the estate after seven years, although there could be an IHT charge when the trust is created, depending on the type of trust used and the size of the gift. The trust itself may also be subject to an IHT charge on certain occasions.

  Assigning parts of the bond to adult beneficiaries, who then cash them in, allows the beneficiaries to pay tax at their rates. If the bond is cashed in when it is still held in the trust, tax may be paid at the client's rate or the trustee rate (40% in the tax year 2008/2009).

- **Further tax advantages**
  - Switch between funds without triggering a tax charge.
  - Take a regular income of up to 5% pa cumulative tax deferred.
  - Simpler tax returns – the client only declares offshore bonds if there's a chargeable gain, minimising administration.

Why Standard Life International?

- **Easy access to trusts**

  Standard Life International Limited (SLIL) offers a range of trusts. For further information, please read 'Investment choice, transparent charges and flexible commission' (IB28), which you can get from your Account Manager or download from www.adviserzone.com.

- **Transparent charges**

  A transparent charging structure linked to a wide range of investment options to suit individual circumstances.

- **Flexible policy structure**

  By default, an International Bond is split into 100 identical policies or 'segments'. This makes it easier to divide the bond amongst several beneficiaries, if required. Your client can request up to 9,999 segments, subject to a minimum investment of £200 per segment.

- **Service**

  A dedicated department of offshore specialists in Dublin to deal with all enquiries. SLIL was awarded five stars by AKG for service in 2007 and was highly commended in the 'Best commitment to service category' in the International Investments, International Fund and Product Awards 2008.

- **A provider you can trust**

  SLIL is a wholly owned subsidiary of Standard Life Assurance Limited. The Standard Life group has been looking after its customers for over 180 years and currently approximately 7 million people worldwide rely on them for their financial needs.

Case Study

The example shown is for illustration purposes only and is not intended to reflect actual benefits.

Anne and George Brown invested £60,000 in an offshore bond five years ago as an investment for their five grandchildren, then aged between 11 and 16. They planned to gift the proceeds to their grandchildren when they were older. As a result they chose to invest in a cautious managed fund which gave them access to a broad range of assets, and a lower level of volatility than a typical managed fund.

After a recent financial review, they are advised that their bond is now worth £80,000. Anne and George have also come to the decision that their two eldest grandchildren, Fraser and Claire, aged 21 and 18 respectively, are responsible enough to be assigned their portions of the bond.

Claire has just secured a place at university. The bond is divided into 100 identical segments, so Anne and George decide to assign 20 policy segments (worth £16,000) to Claire, who surrenders 5 of these (£4000) to pay for the first term's fees. Claire is only liable to tax on the investment gain and, as this is less than her personal tax allowance, there is no further tax to pay.

Anne and George also assign 20 policy segments to Fraser. Fraser is currently in secure employment and wants to use the money as part of his long-term savings plan. The money will remain invested in a low volatility cautious managed fund, giving Fraser's investment the potential to grow, whilst at the same time giving him some protection from the ups and downs of the stock market.

The other 60 policy segments remain invested in the cautious managed fund. Anne and George are free to assign them to their remaining three grandchildren as and when they see fit.

No guarantees are given regarding the effectiveness of any arrangements entered into on the basis of this document, and Standard Life International is not responsible for any advice given on the basis of this document.

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.

Tax and legislation are 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.