

OFFSHORE SOLUTIONS FOR WEALTH PRESERVATION & TAX EFFICIENT INCOME

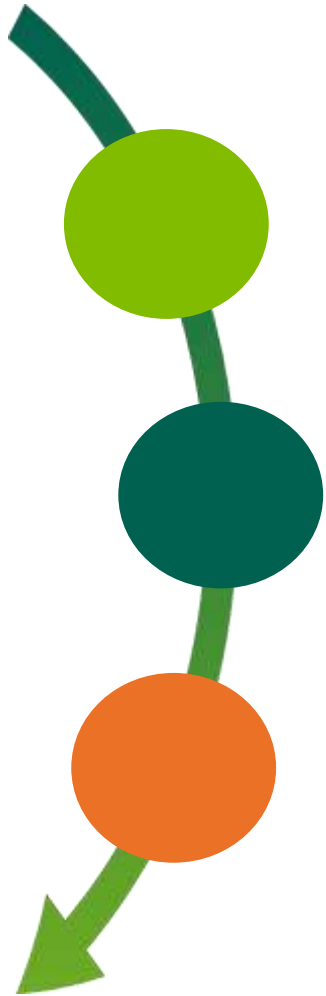
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PURPOSE AND **LEARNING OBJECTIVES**

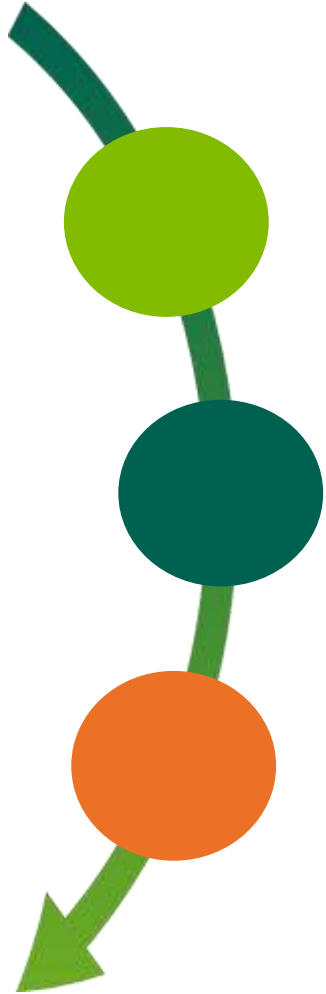


To understand why an Offshore Bond product might be suitable for a UK advised client.

To understand the increased flexibility available from modern offshore solutions.

To understand how an offshore bond can add to retirement income planning.

AGENDA



Why Offshore Bonds for UK clients?

UK Tax position for Offshore Bonds –
Income/Capital/Assignment/Encashment

Case Studies – 3 Wealth Preservation Ideas &
Retirement Income Concept Discussion

WHY OFFSHORE BONDS



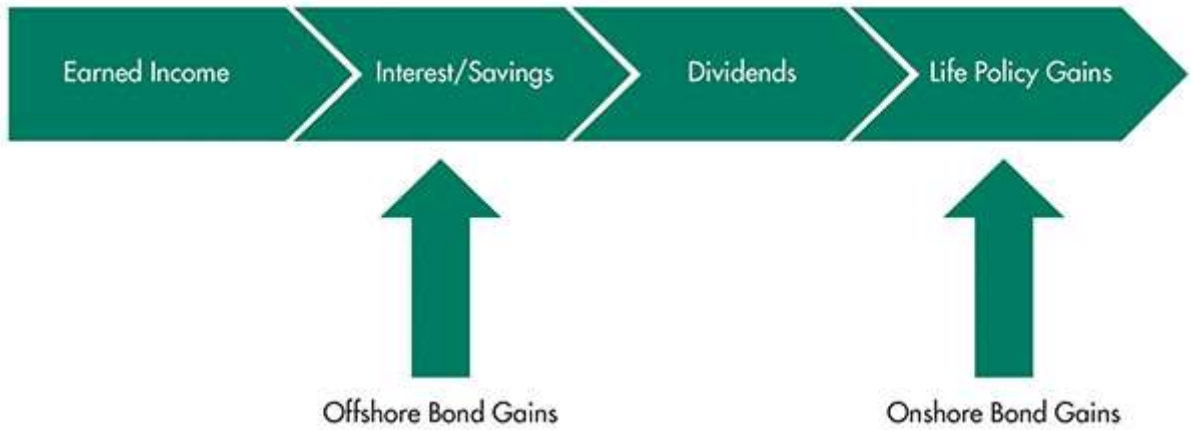
...Opportunities for advice

TAX MANAGEMENT ADVANTAGES OF OFFSHORE BONDS



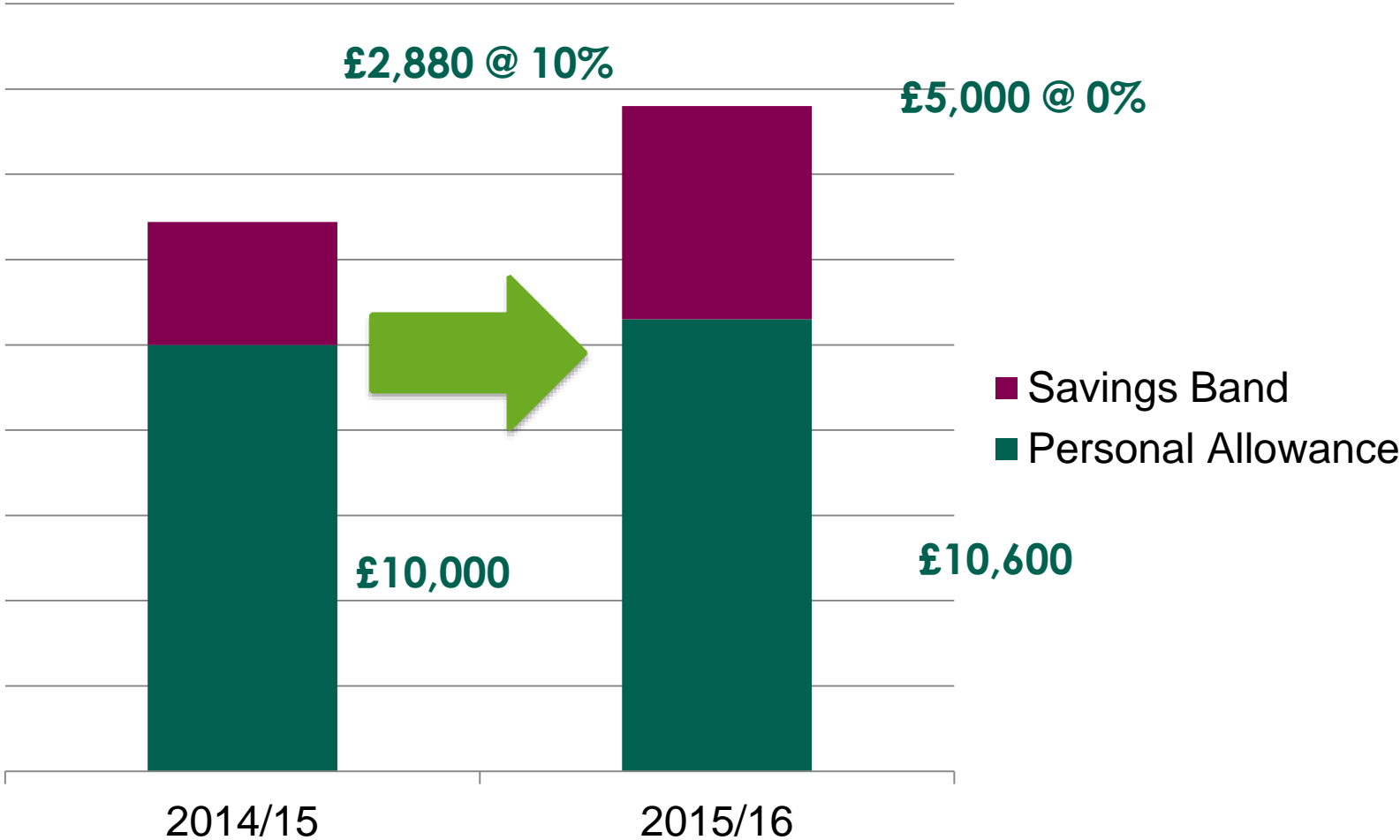
- **Non-income-producing asset**
 - Offshore bonds do not automatically generate income that could be assessable on the investor
- **Tax deferral**
 - No tax assessment on the investor unless a chargeable event takes place
- Partial withdrawals within 5% cumulative allowance without immediate tax assessment – Investment Adviser Fees not included in 5%.
- Underlying investments can be changed without tax assessment at that time.

TAX MANAGEMENT ADVANTAGES OF OFFSHORE BONDS



APRIL 2015 CHANGES

More room for tax planning:



Source: HMRC Autumn Statement December 2014

New £5,000 Dividend Allowance

Individual's Tax Rate	Current Dividend Tax Payable	New Tax Rate Above £5,000	Break Even Point & Tax Paid
BRT	0%	7.5%	£5,000 (£0)
HRT	25%	32.5%	£21,667 (£5,416)
ADT	30.56%	38.1%	£25,262 (£7,721)

OEIC Portfolio:

Rebalanced & ISA'd Portfolio works for CGT @ c£300k

But Dividend Income of c£10,000pa

Sub optimal Investment Strategies or Cap at £150k for BRT?

TAX MANAGEMENT **ADVANTAGES OF OFFSHORE BONDS**

- Life Versions - CRAG Report
- Ideal wrapper choice for trust planning
- Assignments free of chargeable event – can be into a trust
- Utilise assignee's tax status for encashments



Platform for future opportunity



THE VITAL ROLE OF **SEGMENTATION** IN OFFSHORE BOND TAX PLANNING



- **Segmentation**

- Offers a variety of tax-planning and exit strategies

- **Withdrawals**

- Partial withdrawal across all segments vs full segment surrender
- Separating tax decision from investment decision

- **Long-term business benefits of ‘Bond Splitting’**

- Can allow different owners to have individual investment strategies post-assignment of segments
- Keeps funds under management
- Referrals

Client Investment Strategies & Options

- Cash
- Structures
- OEICs
- Platform Solutions
- DFM
- Blend/Multiple
- Highly Personalised

THE OFFSHORE BOND MARKET – TAX PLANNING

Investors of any age with capital to invest

- Individuals whose tax status may change
- Individuals who require a tax-efficient ‘income’ now
- Individuals who may need a tax-efficient ‘income’ in the future
- Individuals who want to reduce their taxable income
- Individuals who wish to preserve or regain personal allowances
- Individuals who expect to become non-UK resident

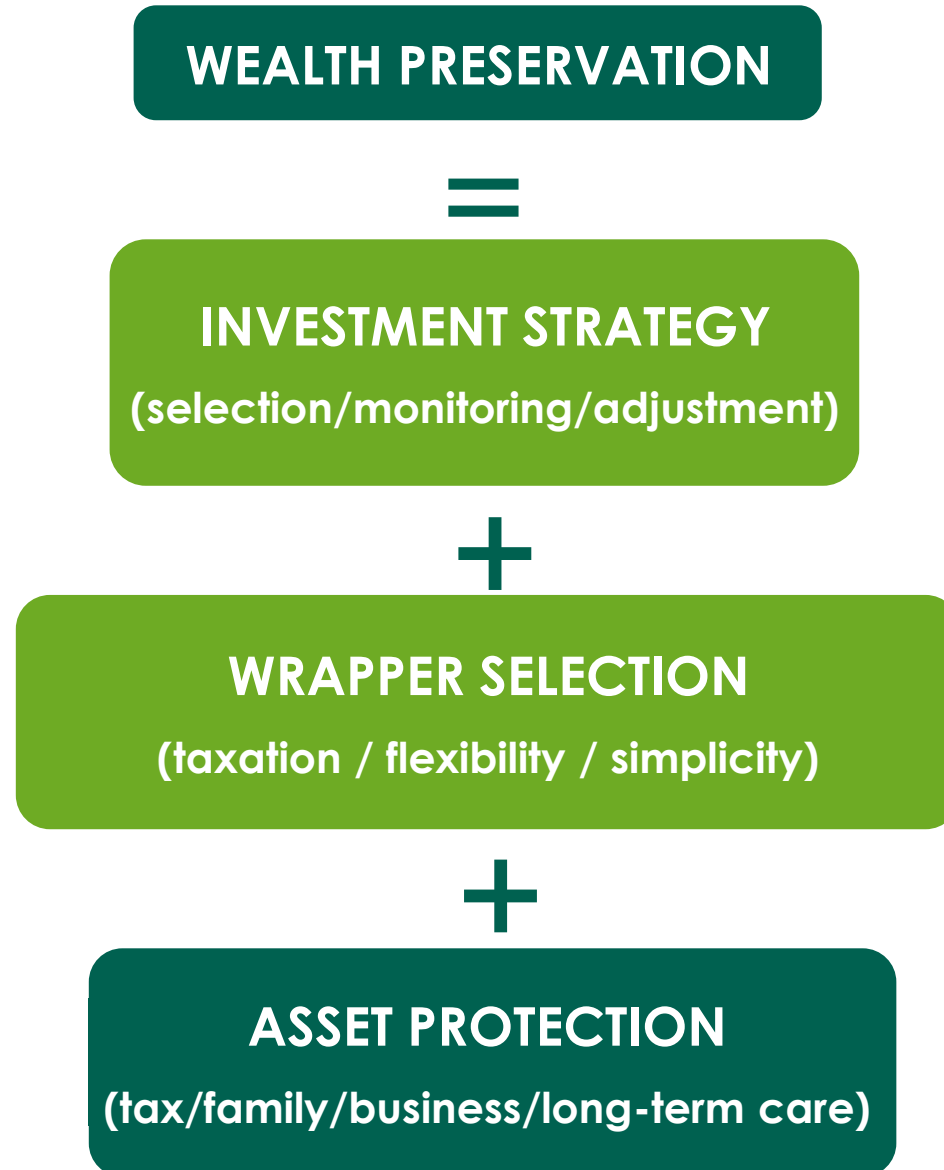
Planning opportunities for all

THE OFFSHORE BOND MARKET – TRUST PLANNING

- Individuals who wish to use trusts for IHT-planning
- Individuals who wish to use trusts for asset control
- Individuals who wish to use trusts for generation planning
- Individuals who wish to provide a legacy for family or other beneficiaries
- Individuals who wish to make provision for education fees or other specified objectives
- Existing trusts

**Achieve the right balance between
access and control**

WEALTH PRESERVATION – WHICH INGREDIENTS?



Client SOLUTIONS FROM OLD MUTUAL INTERNATIONAL

- Enhanced Loan Trust
- Discounted Gift Trust
- Best Start In Life Trust

**All with the optional advantage
of a corporate trustee...**



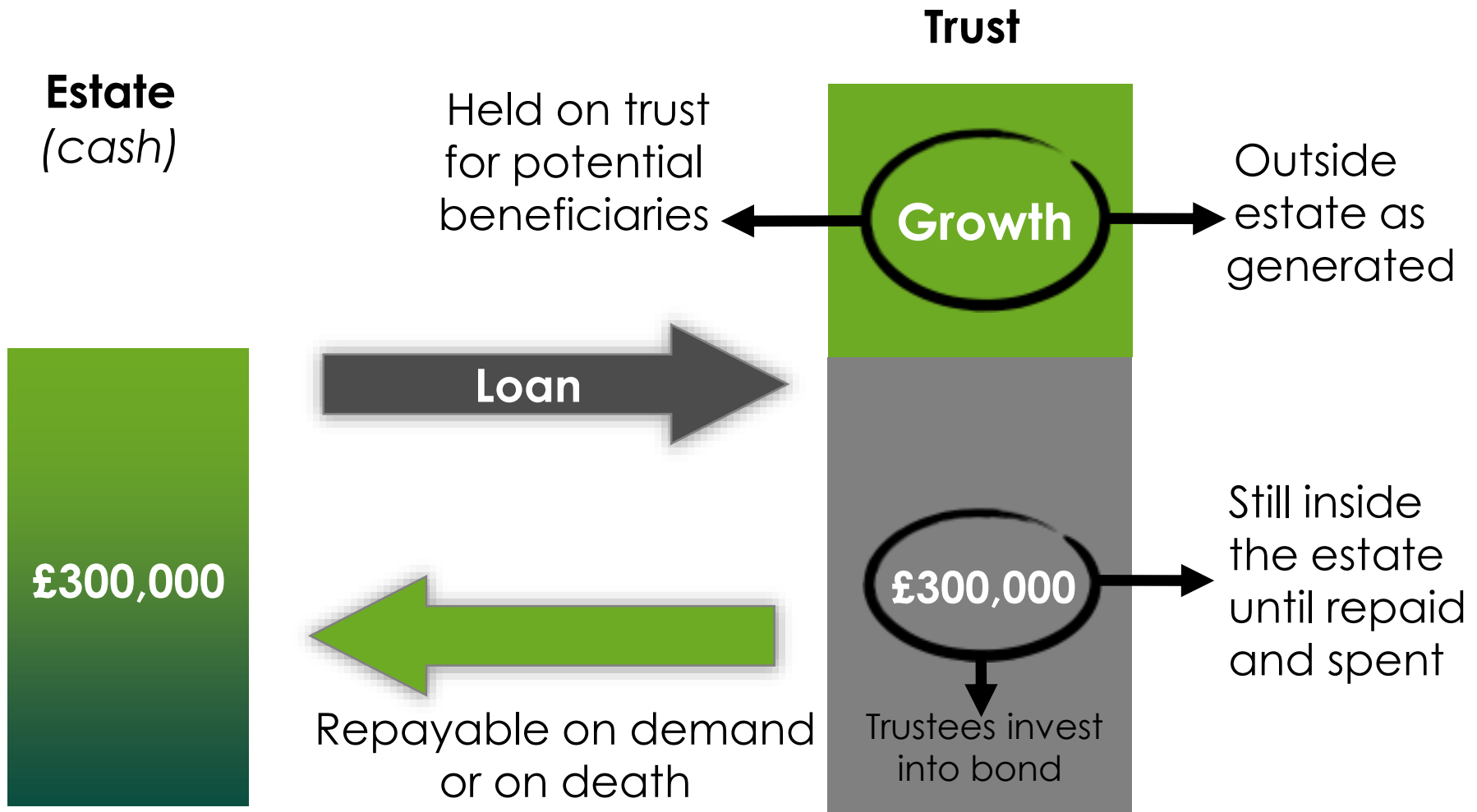
LOAN TRUST

- DISCRETIONARY VERSION

- No entry charges
 - No maximum investment
- No IHT 100 forms at outset
- No underwriting
- Potential periodic and exit charges in future



LOAN TRUST IN ACTION



GROWTH ONLY – NO LOAN REPAYMENTS

- If you assume 7.18% pa (net of charges), the investment will double every 10 years
- Say client is 65 – and lives 20 years



- Assumed growth of 4.73% pa (net of charges) will double the investment every 15 years
- Assumed growth of 3.53% pa (net of charges) will double the investment every 20 years

ENHANCED LOAN TRUST

- Limited Liability option

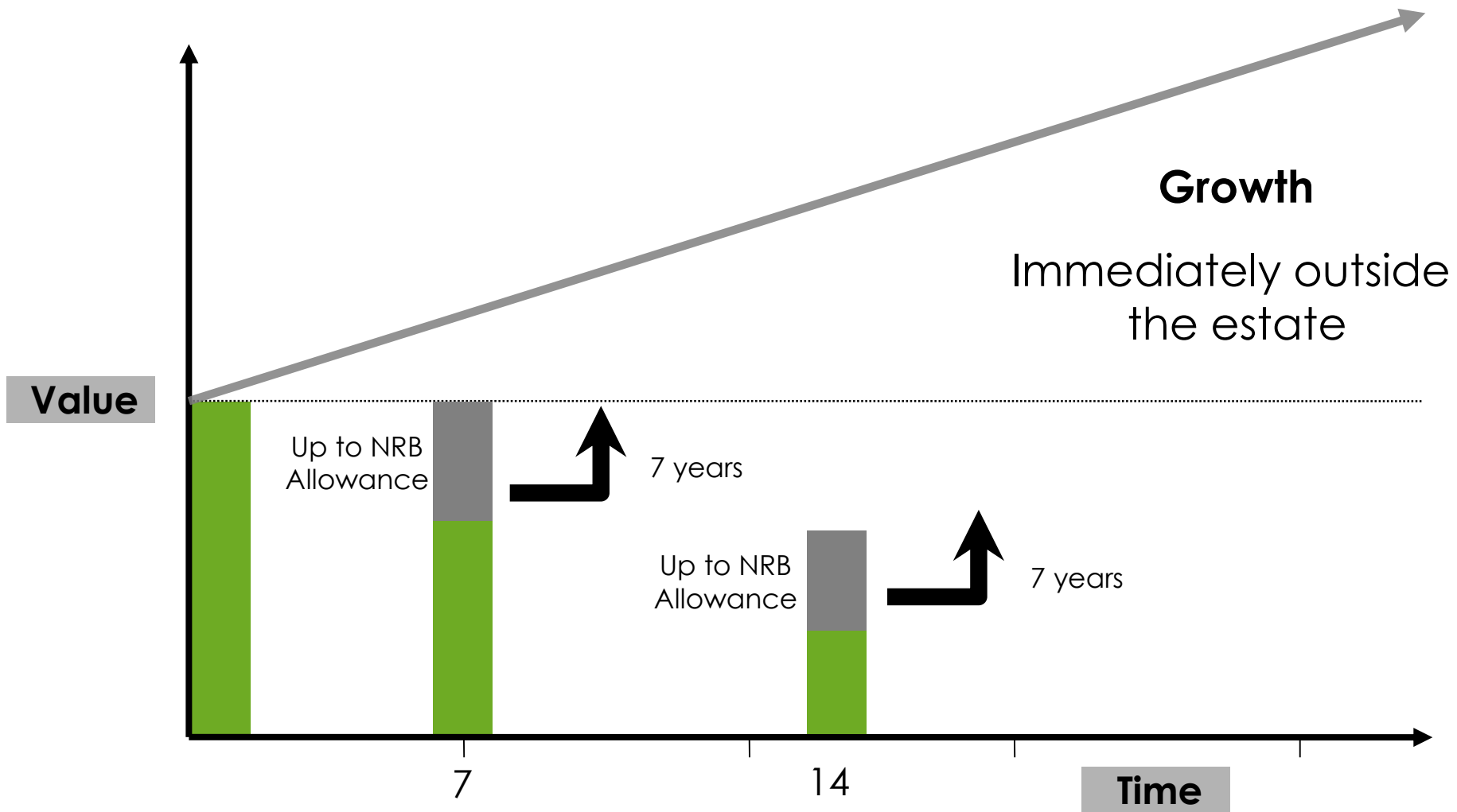
AND

To speed up the IHT benefits...

- Waive some / all of the loan at any time
- No need to take it out of the trust (and lose control)
- No need to disinvest



ENHANCED LOAN TRUST



LOAN TRUST

- THE FIRST STEP ON THE TRUST-PLANNING LADDER?

- Maybe just inherited money
- Maybe just experienced IHT for the first time
- Want to do some IHT planning

...but not give up access!



DISCOUNTED GIFT TRUST (DGT)

- 'Income' required
- Want to reduce IHT liability
- Can afford to give up some access to capital
- Potential for instant reduction in value of investment for IHT purposes
- Remainder of investment is a CLT/PET
- Growth outside the estate
- 'Income' payable
- Ability to use existing bonds

• Watch this Space..... Coming Soon



TRUST PLANNING – FOR GRANDPARENTS, AUNTIES, UNCLE, AND GODPARENTS

- Many want to support the parents
- School fees, university costs, deposit on house, first car, wedding costs...
- Control and timing is key



WHICH TRUST? - DISCRETIONARY OR BARE?

Discretionary

- **Flexible**

- CLT – 7 years

Taxation of bonds

- Settlor
- UK Trustees
- UK beneficiaries

Bare

- Fixed
- PET – 7 years

Taxation of bonds

- **Beneficiary**

- Unless parental trust
£100+

FURTHER CONSIDERATIONS

- Discretionary trust – trustees cannot assign segments to minors
- Bare trust – no class of beneficiaries to which newborns can be added
 - Is the creation of a new trust affordable?
- Bare trust – trust property available at age 18



BEST START IN LIFE TRUST

Original value £100,000 across 10 segments

1	2	3	4	5	6	7	8	9	10
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Grown to £150,000 still across 10 segments

£15,000 assigned to Bare Trust

Trustees then encash one segment

Chargeable gain = £15,000 – £10,000 = £5,000

(below personal income tax allowance, assuming no other income)

TRUST PLANNING – IN SUMMARY

- The bond/trust combination is tried and tested
- Families will thank you in years to come
- Long-term – on-going fees
- Clients need help
- You are best placed to provide



OLD MUTUAL WEALTH – THE PROVIDER FOR HOLISTIC FINANCIAL PLANNERS

RETIREMENT PLANNING IS
BEYOND PENSIONS



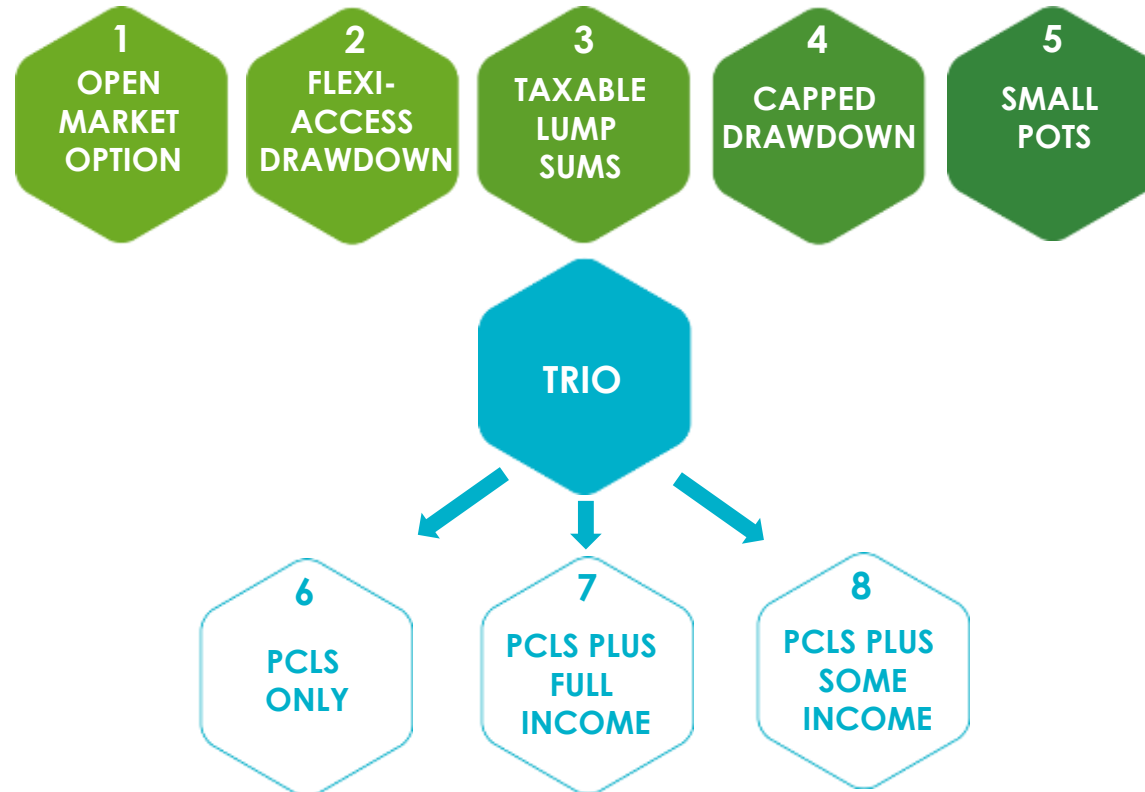
USING ALLOWANCES KEY & CRA COULD BE FIRST OR LAST

Pension Income - Walkthrough

- Pensions Freedom & IHT – EOW...
- Order of Wrappers? – Priorities
 - Tax Today/Inheritability
- State Pension £7,000
 - £3,600 PA Remaining
 - £5,000 Savings Allowance
 - £5,000 Dividend Allowance (from April)
- Any Income Source
- Deposits/FI/Offshore Bonds Gain
- OEICs/Share Portfolio
- Capital rather than Income

THERE ARE 8 WAYS YOUR CLIENTS CAN WITHDRAW INCOME/CAPITAL FROM THEIR CRA

COLLECTIVE RETIREMENT ACCOUNT



NO OTHER PENSION IN THE UK OFFER ALL THESE OPTIONS

Pension Income - **Walkthrough**

- Married Couple – Just Retired
- Combined £750,000 in DC Pensions
- Full State Pensions
- £750,000 Investment Portfolio Part ISA
- £500,000 House
- Income Need £65,000pa Net
- **No tax ever again?**
- **Advice is key – Clients can't self serve offshore/multi-wrapper solutions**

OLD MUTUAL WEALTH – THE PROVIDER FOR HOLISTIC FINANCIAL PLANNERS

RETIREMENT PLANNING IS
BEYOND PENSIONS



USING ALLOWANCES KEY & CRA COULD BE FIRST OR LAST

ANY QUESTIONS?



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