TAILORED LIFE TRUST-WITH VUL

A WEALTH *of* DIFFERENCE

utmost
WEALTH SOLUTIONS

IMPORTANT INFORMATION

This brochure should be read with the Variable Universal Life (VUL) Plan[1] literature which can be obtained from your financial adviser representative. If there is anything that isn't clear or needs explaining further, please talk to your financial adviser representative.

The value of investments can fall as well as rise and you may not get back what you invest.

This document is based on Utmost International's interpretation of the law and HM Revenue and Customs practice as at May 2021. We believe this interpretation is correct, but cannot guarantee it.

Tax relief and the tax treatment of investment funds may change. The value of any tax relief will depend on the investor's individual circumstances.

All references to Utmost International, we, us and our in this brochure refer to Utmost International Isle of Man Limited, who is the provider of the Tailored Life Trust.

In order to take out the Tailored Life Trust, your financial adviser representative must have the suitable trust licence (or be exempt) to advise and support clients on the setting up of a trust.

---

[1] VUL Plan refers to Tailored Life Plan / Silk Life Plan

JARGON BUSTER

In this brochure you will find the following terms:

ANNUAL GIFTING EXEMPTION

Gifts up to the value of £3,000 can be given away each tax year (6 April to 5 April). Gifts within the exemption are considered to be immediately outside the estate for UK Inheritance Tax (UK IHT) purposes. Any unused annual exemption can be brought forward to the next year – but only for one year, i.e. £6,000 in total.

BENEFICIARIES

The beneficiaries are the individuals or groups of people named under the trust. These are often children or other family members. Depending upon the nature of the trust, it may also be possible to include future generations such as grandchildren as yet unborn.

CHARGEABLE LIFETIME TRANSFER (CLT)

A CLT is a transfer of value (gift) which is made by an individual and which is not an exempt or potentially exempt transfer. If the transfer exceeds the available nil-rate band (NRB) of the person making the transfer then a charge of 20% on the excess is payable. A transfer into a discretionary trust is a CLT. This may also be referred to as an entry charge.

CLUSTER OF POLICIES

When you take out your VUL Plan (the plan), you can ask us to issue a series of separate policies. This is known as a cluster of policies.

DISCRETIONARY TRUST

This is a trust where the trustees use their discretion to decide who may benefit from the trust and when. The beneficiaries cannot demand payment from the trustees.

DOUBLE CHARGES RELIEF

A UK IHT relief available where a gift fails (the donor dies within 7 years of making the gift) but the same asset is chargeable on the donor's death because they retained beneficial entitlement to it. Without the relief, the asset would be chargeable twice.

ESTATE

Estate means all the assets that a person owns at the time of their death, less their liabilities. The estate will also include the value of any property they have given away should either the gift be subject to conditions or restrictions, or benefit be kept back for themselves.

EXIT CHARGE

If a CLT charge or 10-yearly periodic charge gives rise to a tax charge, an exit charge will be paid on any distributions made by the trustees out of the trust fund. The rate charged is dependent on the entry and 10-yearly periodic calculations but cannot be greater than 6%. Payments to the settlor are excluded from this charge.

NIL-RATE BAND

The nil-rate band (NRB) is the value of an individual's estate that is not chargeable to UK IHT. The amount is set by the UK Government and is currently £325,000, which is frozen until 2026.

AVAILABLE NIL-RATE BAND

The available NRB is the full nil-rate band (currently £325,000 frozen until 2026) minus any CLT made by the individual in the preceding 7 years.

JOINT NIL-RATE BAND

It is possible for the unused proportion of the NRB of the first spouse or civil partner to be transferred to their survivor. This means that any part of the NRB that is not used when the first spouse or civil partner dies can be transferred to the surviving spouse or civil partner for use on their later death. This provides a joint nil-rate band of £650,000 (based on current nil-rate band of £325,000).

OPEN MARKET VALUE

The value of any asset is the price it might reasonably be expected to achieve if sold in the open market at that time. This concept is used within UK IHT legislation to provide the value of an asset that is potentially liable to tax.

PERIODIC CHARGE

Every ten years, the value of the trust, less the available nil-rate band, will be assessed for inheritance tax and payable at a maximum rate of 6%.

RELEVANT LIFE ASSURED

Where there is a single life assured, they are known as the 'relevant life assured'. In cases where there are two lives assured and the VUL Plan is written on a joint life first death basis, the 'relevant life assured' will be the first to die. If the VUL Plan is written on a joint life last death basis, then the 'relevant life assured' will be the last of the lives to die.

SETTLOR

The settlor is the person or persons who set up the initial investment.
The settlor transfers the ownership of the assets to their chosen trustees.

TRUSTEE(S)

The trustees are the legal owners of the assets, and manage the assets for the benefit of the beneficiaries. They are also responsible for dealing with the trust fund on the settlor's death.

UK INHERITANCE TAX (IHT)

IHT is a tax on the estate of someone who has died. There's normally no IHT to pay if the value of your estate is below the nil-rate band. Any money in excess of the nil-rate band is chargeable at 40%. There is no IHT to pay if you leave everything to your UK domicile spouse. For a UK domicile, your estate for UK domicile IHT purposes is based on your worldwide assets. For a non-UK domicile, your estate for UK IHT is based on assets that you own which are situated in the UK.

INTRODUCTION

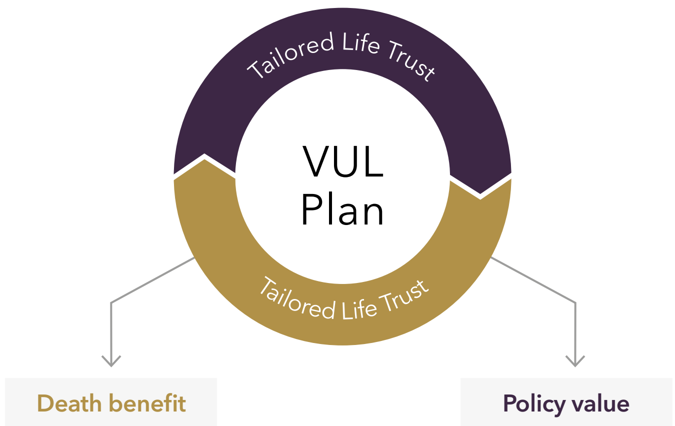
The Tailored Life Trust can help you to create the financial future you want whilst also providing you with estate planning options. This means that you can pass on as much of your wealth as possible, for example to your children and grandchildren, by providing a lump-sum on your death, which could be used to pay any IHT bill.

Setting up your Tailored Life Trust starts with you taking out a VUL Plan (the plan), our high death benefit solution. You choose the sum assured and initial investment amount of the plan[2]. The plan is then placed into the Tailored Life Trust.

THE TAILORED LIFE TRUST MAY BE SUITABLE FOR YOU IF YOU WANT TO:

- provide the money to pay any potential IHT when you die
- invest over the medium- to long-term (5 to 10 years or longer)
- retain access to the money invested
- grow your investment in a tax-efficient way

COMBINING THE PLAN WITH THE TAILORED LIFE TRUST SEPARATES TWO DISTINCT ELEMENTS:



A DEATH BENEFIT FOR YOUR FAMILY OR LOVED ONES

The death benefit is a specific amount (referred to as a sum assured) that is paid on your death (assuming you are the relevant life assured on the plan). This is held in trust for the benefit of the beneficiaries. The death benefit is considered to be outside of your estate for UK IHT purposes.

CONTINUED ACCESS TO YOUR INVESTMENT WHEN YOU NEED IT

The original premium is used to purchase your chosen assets. These assets are held separately in the 'Retained Benefits Fund'[3]. This is held for you for your benefit. This allows you to continue to access your money (including any growth) as and when you need it subject to our minimum policy value. This fund is also used to pay our charges for providing the sum assured[4].

For example - using Life Cover Plus option: a plan with a current investment value of £300,000 (original premium of £250,000) and a sum assured of £1,000,000 will pay £1,300,000 on the death of the relevant life assured. This amount is payable to the trustees of the Tailored Life Trust who hold the money for two different sets of beneficiary:

- £300,000 for your estate (assuming you are the relevant life assured and the settlor of the trust).
- £1,000,000 for your beneficiaries (the discretionary beneficiaries of the trust).

[2] Subject to our acceptance.

[3] The 'Retained Benefits Fund' remains part of your estate for UK IHT purposes. This value can be left to someone within your Will.

[4] Each charge is considered a CLT for IHT purposes – please see IHT treatment on pages 10 and 11. These life cover charges are displayed on your VUL Plan benefit illustration.

TAILORED LIFE TRUST

What is a trust?

A trust allows you, the settlor, to entrust your assets (which then become known as the trust fund) to your appointed trustees. The trustees then become the legal owners of the trust fund and manage it in line with the terms of the trust.

The trustees also have responsibility to control, manage and ultimately distribute the trust fund to the beneficiaries of the trust.

Who are the trustees?

You, as settlor of the trust, can be a trustee as can other family members and friends. You will need to trust whoever you ask to act as trustee and they should have the necessary judgement, skills, perspective and time to perform their duties adequately.

However, not every individual will have those qualities or wish to take on these responsibilities and if they are also a beneficiary under the trust, they may not have the necessary objectivity to carry out their duties appropriately. Appointing a professional trustee could help solve these potential problems.

WHAT IS PAID ON DEATH OF THE RELEVANT LIFE ASSURED?

The plan pays out two elements (referred to as Life Cover Plus):

1. The death benefit (to be paid into the trust and used for the benefit of your beneficiaries)

2. The policy value (to be paid into the trust and used to benefit the beneficiaries named in your Will).

WHY IS THE VUL PLAN USED IN CONJUNCTION WITH THE TAILORED LIFE TRUST?

The VUL Plan is a whole of life investment-linked plan. The assets that are selected for the plan should aim to achieve both protection and investment growth.

The life cover and investment elements of the VUL Plan, in conjunction with the Tailored Life Trust, provide a flexible way to help you achieve a balance between access to capital and UK IHT liabilities as well as estate planning.

AMENDMENTS TO YOUR VUL PLAN WITH THE TAILORED LIFE TRUST

To ensure the Tailored Life Trust is UK IHT efficient, some of the terms and conditions for your VUL Plan will be amended.

These are summarised below:

- The death benefit description will be updated to explain that:
  1. The sum assured alone provides the death benefit
  2. The policy value no longer forms part of the death benefit (although this is still payable when the VUL Plan ends on death)
- Full surrender of one or more clusters of policies will be removed as an option. This means you can't access the full value of your investment[5]
- Terminal illness benefit, if available, will be removed
- The change of life assured option, if available, will be removed.

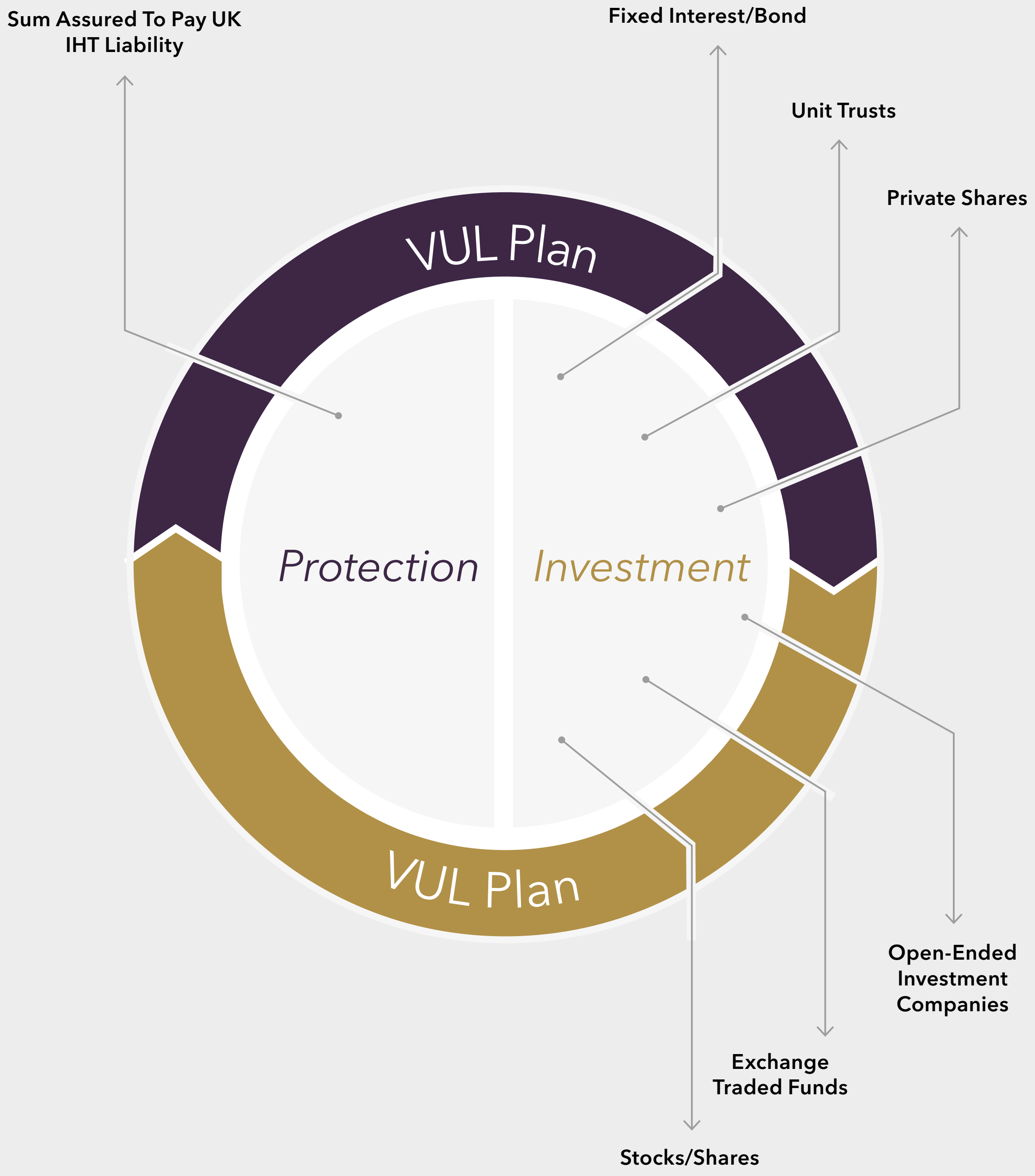
MORE INFORMATION

Investment assets such as mutual funds, stocks, currency, structured notes, bonds, private company shares and, for third party custodian agreements, exchange traded options are all subject to acceptance by Utmost International. For more information on the VUL Plan, please refer to the VUL Plan brochure, product summary and terms and conditions. Your financial adviser representative can provide you with these documents.

THE VUL PLAN PROVIDES A FLEXIBLE WAY TO HELP YOU ACHIEVE A BALANCE BETWEEN ACCESS TO CAPITAL AND UK INHERITANCE TAX AS WELL AS ESTATE PLANNING.

[5] You are able to withdraw any amount subject to 15% of the initial investment remaining in the VUL Plan after the withdrawal.

THE VUL PLAN OFFERS YOU HIGH LEVEL PROTECTION AND INVESTMENT OPPORTUNITIES.



IHT TREATMENT OF THE TAILORED LIFE TRUST

LUMP-SUM PAYMENTS

When you make your premium payment into the VUL Plan (following acceptance of your application), your plan is placed into the Tailored Life Trust. As one of the conditions of using the plan with the trust is that the plan cannot be surrendered, you are considered to be making a gift for UK IHT purposes. This gift is treated as a CLT except for any amount covered by an exemption, for example the annual gifting exemption.

You can ask us to estimate the value of the CLT before proceeding with the trust. Any CLT above your available NRB is liable to UK IHT at the lifetime rate of 20%.

To establish the value of the CLT, an actuarial calculation is made. This calculation seeks to apply an open market value to the loss to your estate by starting the Tailored Life Trust. This loss is the actuarial value (taking into account your age) of the policy value that you are unable to immediately access (see page 11, 'What happens if you withdraw money?') following the creation of the trust. The value will be different for each settlor as it is based on life expectancy. The CLT value is not likely to exceed the minimum policy value, currently 15% of the premium.

CASE STUDY: PETER, AGE 70

Peter (the relevant life assured) pays £500,000 into a VUL Plan which is then placed into a Tailored Life Trust. The CLT is the actuarial calculation of the reduction in value that Peter has access to during his lifetime.

Because the minimum value is 15% of the premium paid, the amount that can't be accessed during Peter's lifetime is £75,000 (15% x £500,000). As Peter can now only access £425,000 of his initial premium of £500,000, an actuarial calculation is made to establish the open market value of £425,000 plus the expectation of a further £75,000 when Peter dies.

Following this calculation, a value of £458,171 is given to the retained benefit that Peter has. The difference between the initial premium and this calculated value is seen as a gift for UK IHT purposes - £41,829. This value is subject to acceptance by HM Revenue & Customs.

Any additional payments into your plan held within the Tailored Life Trust will receive the same tax treatment.

This case study is fictional and used for example purposes. Please speak to your financial adviser representative if you have any questions about this.

PAYING FOR LIFE COVER CHARGES

Under the VUL Plan, there is a charge made to cover the costs of providing your chosen sum assured. This charge is known as the life cover charge and is deducted quarterly. For UK IHT purposes, when the Tailored Life Trust is used, the value of each charge is considered a CLT. Where the cumulative value of CLTs made within a seven year period exceeds your available nil rate band, there is an immediate charge to UK IHT. Please see cumulative CLTs on page 12 for illustrative examples of this.

WHAT HAPPENS IF YOU WITHDRAW MONEY?

Subject to leaving a minimum value in the plan, currently set at 15% of the original investment, withdrawals do not have any IHT liability. Depending on where you are resident, there might be other tax implications. You should seek advice from your financial adviser representative prior to taking a withdrawal.

WHAT HAPPENS WHEN YOU DIE?

- **The initial gift/payment** – The value we confirm as a CLT (unless covered by an exemption) at inception and any additional payments will be considered outside of your estate for IHT purposes, after seven years have passed since each respective payment. If you die within seven years of the CLT, double charges relief may be available against any IHT due on the CLT as the full 'Retained Benefits Fund' is also within your estate (see below).
- **Life cover charges** – Each charge deduction is considered a CLT. These will be considered outside of your estate for IHT purposes after seven years have passed since each respective charge.
- **The 'Retained Benefits Fund'** – The policy value remains within your estate for UK IHT purposes throughout your life and on death.
- **The death benefit** – As you are excluded from benefiting from the death benefit, this is considered outside of your estate for UK IHT purposes on death.

Both the 'Retained Benefits Fund' and death benefit can be accessed without the need for probate as the plan is owned by the trustees.

DISCRETIONARY TRUST TAXATION

The Tailored Life Trust is a discretionary trust, which is a type of trust subject to certain IHT charges.

The tax calculations for a discretionary trust can be complex, but in summary:

- a CLT charge may apply
- a periodic charge may arise every 10 years
- an exit charge may apply when benefits are paid to discretionary beneficiaries.

You should seek advice from your financial adviser representative prior to taking a withdrawal.

CUMULATIVE CHARGEABLE LIFETIME TRANSFERS (CLTS) – EXAMPLES

The following tables show illustrative IHT values of a Tailored Life Trust over seven years. The examples are based on an initial premium of £500,000 and sum assured of £1 million for a male settlor and female settlor. The values assume an investment growth rate of 4% before charges.

MALE

- £500,000 premium
- £1 million sum assured

AGE	55	60	65	70	75	80
Initial CLT[6]	£56,081	£51,917	£47,147	£41,829	£36,103	£30,198
Total life cover charges over 7 years[7]	£26,997	£44,850	£72,763	£121,017	£191,106	£309,779
Total	£83,078	£96,767	£119,910	£162,846	£227,209	£339,977[8]

FEMALE

- £500,000 premium
- £1 million sum assured

AGE	55	60	65	70	75	80
Initial CLT[6]	£56,081	£51,917	£47,147	£41,829	£36,103	£30,198
Total life cover charges over 7 years[7]	£14,829	£24,179	£45,126	£77,896	£131,111	£231,394
Total	£70,910	£76,096	£92,273	£119,725	£167,214	£261,592

[6] For the initial CLT, this value is calculated using actuarial principles based on gender neutral rates.

[7] The life cover charges on the VUL Plan are based on gender specific rates.

[8] Where cumulative transfers exceed the settlor's available NRB, IHT at a rate of 20% on the excess is payable. If death occurs within 7 years of a CLT this also reduces the NRB available on the estate.

CASE STUDY

CASE STUDY: STEVEN, AGE 62

Steven was born in the UK and works in Dubai for a large global bank. He has assets in the UK and Singapore, and holds investments in other jurisdictions. Although he is considered non-resident in the UK for income tax and capital gains tax purposes, he is still liable to UK IHT on his worldwide assets. His joint estate totals £3,150,000, which is £2,500,000 over the joint NRB with his wife, Vanessa.

Steven's financial adviser representative talks to him about his current IHT liability of £1,000,000 which would be payable on second death of either Steven or Vanessa, assuming all assets are left to the surviving spouse when the first dies.

Steven doesn't want to gift any money away to his adult children as they are completely independent and he will also rely on his investments during his retirement to supplement his pensions. He wants to protect against the IHT liability but doesn't want to lose the potential for investment growth on his money.

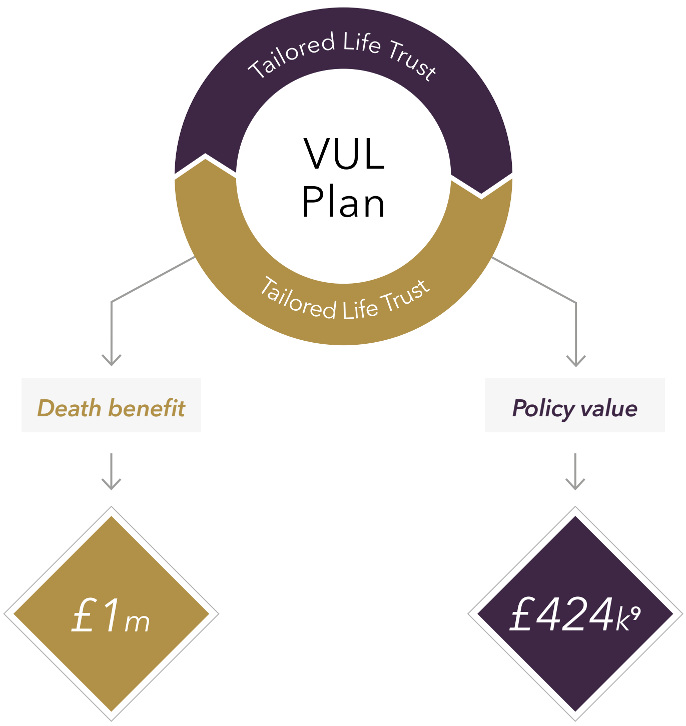
His financial adviser representative recommends a joint Tailored Life Trust offered by Utmost International with a death benefit of £1,000,000 and an investment of £250,000, payable on the second death of Steven and Vanessa. The trust allows him to provide his children with sufficient capital to pay the IHT liability on death but allows him and Vanessa to access the money (including any potential growth) into retirement.

This case study is fictional and used for example purposes.

Steven dies twenty years later aged 82 and Vanessa dies two years later. At this time, the joint estate has reduced in value as it has been used to help fund their retirements.

However, there is still a significant IHT liability. The plan benefits payable are described below:

- The death benefit of £1,000,000. The trustees can use this for the benefit of the discretionary beneficiaries – in this case, the children. The children could therefore use this capital to pay the IHT liability.
- The 'Retained Benefits Fund' of £424,000. This is owed to the estate of Vanessa and should be distributed in line with her Will. As Steven died before her, Vanessa has left everything to the children.



[9] Based on 4% growth rate per annum before charges

A WEALTH *of* DIFFERENCE

www.utmostinternational.com

Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

Utmost Wealth Solutions is the registered business name of Utmost International Isle of Man Limited Singapore Branch.
Utmost International Isle of Man Limited Singapore Branch, 6 Battery Road #16-02, Singapore 049909.
Tel: +65 6216 7990 Fax: +65 6216 7999.

Registered in Singapore Number T08FC7158E. Authorised by the Monetary Authority of Singapore to conduct life assurance business in Singapore.
Member of the Life Insurance Association of Singapore. Member of the Singapore Finance Dispute Resolution Scheme.

Utmost International Isle of Man Limited is registered in the Isle of Man under number 024916C.
Registered Office: King Edward Bay House, King Edward Road, Onchan, Isle of Man, IM99 1NU, British Isles.
Licensed by the Isle of Man Financial Services Authority.

Utmost Wealth Solutions is registered in the Isle of Man as a business name of Utmost International Isle of Man Limited.

ULQPR18409 | 01/24