THE POWER OF TAX DEFERRAL

utmost
WEALTH SOLUTIONS

The power of tax deferral

Individually held investments can generate interest in their own right, but these earnings have the disadvantage of being subject to immediate taxation in most tax jurisdictions, and may also be subject to capital gains tax (CGT) when they are sold. However, if the investments are held together within a tax-efficient vehicle, the liability to tax can be delayed until a point in the future – this is known as 'tax deferral'.

Why is tax deferral important?

Once inside a tax-efficient structure, such as an Utmost International investment-linked life insurance policy (insurance policy), investments can grow virtually tax-free, until a chargeable event such as death, maturity, early encashment or surrender occurs. As little to no tax is being charged, there will be more investment returns to compound over time. This means you could potentially enjoy higher long-term returns than you would have if the tax was deferred. Tax deferral and the power of compounding are two of the most important tools in the accumulation and preservation of wealth.

Tax efficiency of the Isle of Man

As Utmost International is located in the tax-efficient offshore centre of the Isle of Man, your investments can grow virtually tax free in Utmost International's insurance policies.

Under Isle of Man law, funds linked to policies are not liable to income tax, capital gains tax or corporation tax. Some dividends may be subject to a tax deduction in the country where the income was produced, but once inside your policy they can accumulate free of tax.

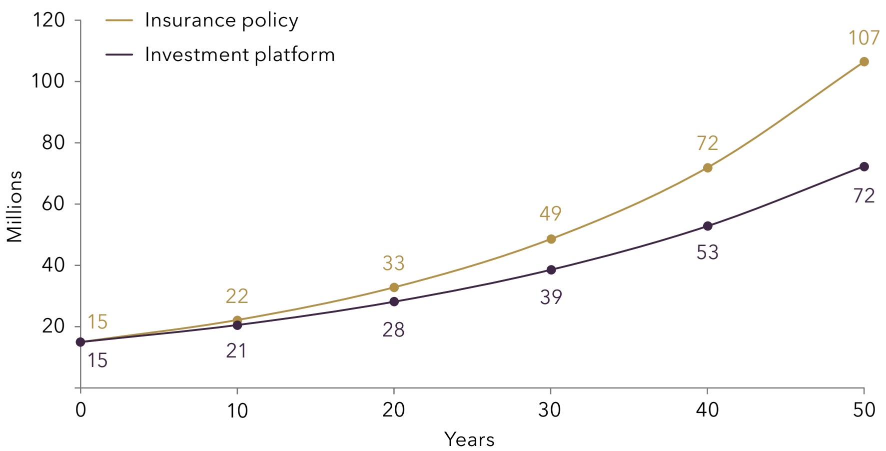
Utmost International does not make a deduction of tax when you cash in your policy, either in part or in total, but the personal tax consequences of investing into a policy will depend on many factors which are individual to you. You should discuss any potential tax consequences with your financial adviser before making any changes to your policy.

CASE STUDY 1 - MR. LEE

- Mr. Lee has an investment portfolio worth US$15 million, generating 4% returns per annum.
- However, his wealth manager carries out an annual rebalance exercise resulting in a tax liability of 20% on the gains.
- He wishes to preserve his wealth for his retirement.

His wealth manager recommends an insurance policy to help him accumulate and preserve his wealth.

The graph illustrates his portfolio value if he were to use an insurance policy instead of a direct investment platform.



ASSUMPTIONS

- US$15 million invested with no withdrawals made.
- A 4% return that is net of fees for both the insurance policy and investment platform.
- Tax on gains of 20%.

Mr. Lee was able to accumulate US$35 million/48% more over a 50-year period with an insurance policy compared to a direct investment platform.

Once Mr. Lee's assets are inside the insurance policy, he has the freedom to change them without needing to worry about any capital gains tax liability.

Using an insurance policy (with the appropriate trust structure or the nomination arrangement), Mr. Lee is able to:

- mitigate his tax liabilities efficiently
- avoid his beneficiaries having to go through a lengthy probate process
- generate immediate liquidity for beneficiaries upon his death
- keep information of his wealth and beneficiaries confidential.

These examples are for illustrative purposes only and are not actual results. If any assumptions used do not prove to be true, results may vary substantially.

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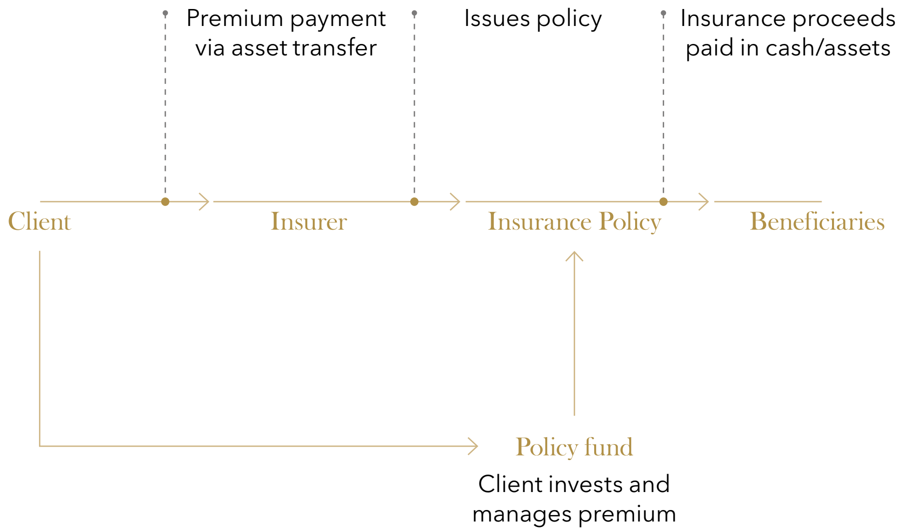
CASE STUDY 2 - JENNY

- Jenny inherited an investment portfolio worth US$5 million from her late father.
- The portfolio generates a 9% return per annum, but attracts a tax rate of 20% during the annual rebalance exercise.
- She would like to grow and preserve the legacy to pass on to her children.

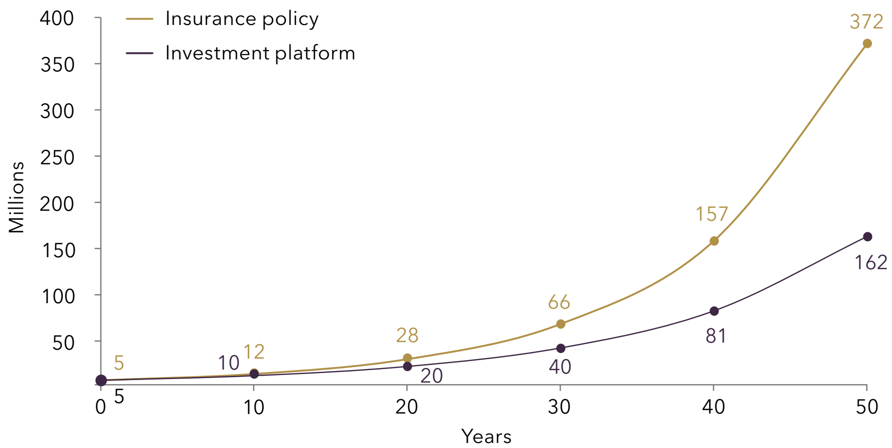
Jenny's wealth manager advises her to set up a life insurance policy and transfer the portfolio that she has inherited from her late father as a premium in kind.



ASSUMPTIONS

- US$5 million invested with no withdrawals made.
- A 9% return that is net of fees for both the insurance policy and investment platform.
- Tax on gains of 20%.

By setting up an insurance policy, Jenny is able to grow her investments virtually tax free. Coupled with the power of compounding, Jenny could potentially gain an additional US$210 million/129% over a 50-year period, growing the legacy that her father has left her.



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The case studies detailed are fictional and used purely to illustrate a possible real life scenario.

This sales aid is based on Utmost International's understanding of the law, regulation and taxation practice of the UK and Isle of Man as at April 2021, which may change in the future. No liability can be accepted for any personal tax consequences as a result of future legislative, regulatory or tax changes. Investors should seek professional advice regarding their own tax circumstances.

The value of investments can fall as well as rise and investors may not get back what they put in.

Full details of the products available can be found in the product literature and Policy Terms which are available from Utmost International.

Utmost International only sells its products through financial advisers. If you would like further information or have any questions, please speak to your financial adviser.

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