GENERATION PLANNING BOND
SUITABILITY PARAGRAPHS

These sample paragraphs and their content are for your information and consideration only. It is your responsibility to make sure that any letters sent to your clients meet regulatory requirements and that any recommendations made are appropriate to your client's circumstances. No liability will be accepted by Utmost PanEurope dac in connection with the use of the wording provided in these paragraphs.

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WEALTH SOLUTIONS

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1. REASONS TO USE A BOND

Investment bonds generally aim to produce mid to long term growth, generating a long term return with the main benefits including:

› segmentation of policies

› tax free switches within the bond

› ease of assignments

› non-income producing asset

› tax-efficient withdrawals

› potential top slicing relief (for your beneficiaries).

1.1 SEGMENTATION OF POLICIES

For flexibility and tax-efficient management, your bond will be set up as a series of individual policy segments, rather than just one policy. We have discussed how this can help with your objective of investing for tax efficiency as it enables your trustees to surrender or assign individual policy segments from the bond to the beneficiaries after your death.

The bond can be set up with between 1 and 9,999 segments provided the minimum amount of £500 for each segment is met. Furthermore, for each segment still in force after 99 years, Utmost PanEurope dac will pay the higher of a Guaranteed Maturity Value or the unit value due under the segment. The Guaranteed Maturity Value can be summarised as:

(a) 100.1% of the initial investment into the policy, plus

(b) 100.1% of any additional investments into the policy, with

(c) The total of (a) and (b) being reduced by any withdrawals made against that segment, the reduction being the percentage of the overall fund represented by the withdrawal.

Please note that once the bond is in force it cannot be surrendered, assigned or the income payments amended during your lifetime.

[As this calculation is complex the Adviser may wish to insert here that he has discussed this calculation with the client and has explained that, whilst the maturity value is a guaranteed return, the effect of inflation will render this not an investment consideration].

We have therefore set up the bond with [insert number of segments] segments for tax efficiency.

1.2 TAX FREE SWITCHES WITHIN THE BOND

Investing in a bond enables you and your chosen trustees to benefit from the fact that the bond provider (Utmost PanEurope dac) is the beneficial owner of the assets for tax purposes. This means that any switches between the funds linked to the bond will not be liable for tax. If you (or your trustees) were to invest directly into funds/stocks, a capital gains tax charge could occur each time a purchase or sale takes place if the net gains in a tax year exceed the annual capital gains tax exemption. We have discussed how this ability to change the assets linked to the bond may be beneficial for your trustees given your current circumstances.

Please note that any gains on the bond will be taxed when a chargeable event occurs and this process simply allows taxation to be deferred until a more appropriate time for you. Tax rules can change and are subject to individual circumstances.

1.3 ASSIGNMENTS

With the Generation Planning Bond assignments of individual policy segments, or the whole bond, can occur after the death of the last settlor. It can be assigned to another individual who is 18 or over and legally capable. This can help with tax planning at a time that suits your trustees and beneficiaries.

Provided the assignment is not for consideration (i.e. the bond is not exchanged for money or money's worth) this is not considered a chargeable event and the person who receives the bond, or policy segment, is then assessed to tax on the bond at their marginal rate of income tax when subsequent chargeable events occur.

1.3.1 Discretionary trust and assignments

The ability for your trustees to assign the bond, or policy segments, after your death to one of the potential beneficiaries may be beneficial as it can help to lower any potential tax liability. For example, it allows your trustees to retain full control over the bond whilst you are alive and then perhaps utilise your spouse's (assuming they are not also a settlor and therefore excluded), or adult child's, personal income tax allowance and marginal tax rates at the point of surrender. Any beneficiary must be 18 or over at the time of the assignment.

1.3.2 Absolute trust and assignments

The ability for your trustee to assign the bond, or policy segments, after your death to one of the chosen adult beneficiaries may be beneficial. Whilst any tax liability after your death will fall on the absolute beneficiaries (assuming they are UK resident) this ability can allow trustees to assign policies for that beneficiary to use as they see fit. For example, it allows your trustees to retain full control over the bond whilst you are alive and then assign the bond, or policy segments, to the named beneficiaries to benefit from their personal income tax allowance and marginal tax rates at the point of surrender. Any beneficiary must be 18 or over at the time of the assignment.

1.4 NON-INCOME PRODUCING ASSET

A bond is a non-income producing asset, meaning any annual gains do not need to be declared on any UK tax return until a chargeable event occurs. As a result, a bond is a potentially tax-efficient method for deferring UK income tax liabilities, even for a trustee.

1.5 FEWER AND EASIER ADMINISTRATION REQUIREMENTS

Using a bond can facilitate easier administration than holding a direct portfolio of investments, as a bond provides a simple holding structure where the bond's performance can be linked to a variety of collective investment schemes. This makes managing and tracking the performance of your investment(s) much easier as they are all in one place. As the bond is a non-income producing asset it also removes the necessity to include any gains under the bond on any UK annual tax return unless there is a chargeable event.

1.6 TAX-EFFICIENT WITHDRAWALS

Every year you are entitled to take up to 5% of your initial premium without incurring a chargeable event. This is referred to as the 5% annual tax-deferred entitlement. Providing your regular annual withdrawals of capital taken under the bond are within the 5% entitlement there will be no immediate charge to income tax.

Tax rules can change and are subject to individual circumstances.

1.7 TOP SLICING RELIEF

Please note that top slicing relief is not available to trustees

If, after your death, your trustees assign the bond, or policy segments, to a beneficiary and their other taxable income is below the higher, or additional, rate income tax threshold, top slicing relief may reduce the beneficiary's liability to the higher rate or additional rate tax if a chargeable event occurs. Top slicing relief can also apply where gains are deemed to fall on the settlor of the trust rather than the trustees. [the adviser should explain here where this is relative to the trust in question]. To calculate any higher rate or additional rate tax payable under the top slicing relief provisions, the chargeable gain is divided by the number of complete years from the start of the bond, or the last chargeable event, which gives the 'average gain' from that period. If the bond has been held for a number of years without a chargeable event occurring, top slicing relief can therefore be used to reduce the amount of tax payable by the beneficiary on the gain.

2. REASONS WHY AN INTERNATIONAL BOND

An international investment bond is a policy of insurance issued by a company not domiciled in the United Kingdom. Such bonds are very similar to investment bonds issued in the UK, but, unlike their UK counterparts, income and gains generated within the fund(s) roll up free of income tax and capital gains tax. The only tax to which the funds may be liable is that which is deducted at source. This is known as withholding tax and cannot be reclaimed.

As a reminder, the benefits available to bonds in general are:

› potential tax deferral – no personal tax liability for your trustees or beneficiaries until a chargeable event occurs

› fewer and easier administration requirements than holding funds directly

› tax-free fund switching within the bond

› tax deferral until a time better suited to your trustees and any beneficiary

› potential for tax-efficient assignments after your death.

Benefits unique to international bonds:

› no tax within the life fund (apart from withholding tax) – 'gross roll up'

› wider range of funds to choose from than for a UK bond

› facility to have professional investment management through an External Manager and/or Custodian (EMC) which is usually not available with a UK bond.

The value of the bond can fall as well as rise and your trustees may get back less than the amount originally invested. Tax rules can change and are subject to individual circumstances.

POTENTIAL TAX MITIGATION

2.1 TAX TREATMENT OF A LIFE FUND

With a bond from a UK provider, the underlying funds linked to the value of the bond are subject to tax on the income and capital gains generated. However, with an international investment bond, any income and capital gains on the underlying funds are normally free of taxes. This is often referred to as 'gross roll-up'. The only tax to which the funds may be liable is that which is deducted at source and cannot be reclaimed; known as withholding tax.

Tax is only paid by the trustees or beneficiaries when a chargeable event occurs. Chargeable events include, but are not limited to, surrender of the bond and withdrawals in excess of the 5% annual tax-deferred entitlements.

The effect of 'gross roll-up' can, in certain circumstances, enable the bond to achieve greater returns than a UK equivalent bond on the basis that tax is not paid within the underlying funds until a chargeable event occurs. However, your trustees should be aware that on an international investment bond they will still retain a liability to basic rate tax and, unlike a UK bond, there is no basic rate tax credit to offset any chargeable event liability.

2.2 WIDER RANGE OF FUNDS

An international investment bond can potentially be a useful method of investing in a variety of funds managed by professional investment managers. It will typically differ from most onshore (UK) bonds in that it will allow 'Open Architecture' investment. Open Architecture allows the bond to be linked to a wide range of permissible collective investment schemes and cash deposits which can provide additional choice.

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3. REASONS WHY THE GENERATION PLANNING BOND

3.1 WHAT IS THE GENERATION PLANNING BOND?

The Generation Planning Bond is a combination of an international, single premium capital redemption bond and a trust referred to as a discounted gift trust. You are excluded from benefitting from the trust. The transfer into trust is a gift for Inheritance Tax (IHT) purposes.

A discounted gift trust (DGT) requires you to take a level of regular withdrawals from the trust for the rest of your life (or until the value of your bond is exhausted). It is important to understand that, once chosen these withdrawals cannot be changed or stopped. The value of these withdrawals is then estimated over your lifetime and the resulting estimated value is carved away from your gift into trust. This carve out is what gives rise to the term discounted gift trust. If you do not spend the withdrawals, they will remain in your estate and we have discussed that the level of income is appropriate for your circumstances. I have made it clear that this level of income cannot be changed nor can the bond be surrendered or assigned during your lifetime, once the trust is established.

This arrangement involves making a gift into trust and therefore the whole investment, including any growth, will be outside of your estate after seven years. Any remaining value in the trust after your death may then be distributed to your beneficiaries. In addition to your right to fixed, regular withdrawals, the DGT:

› provides you with regular withdrawals from the gifted capital subject to value remaining in the bond

› creates an immediate reduction (known as the 'discount') in the value of your estate

› does not cause a gift with reservation of benefit, because, under the DGT scheme, you only have rights to regular withdrawals of the original capital and cannot benefit from the trust itself.

I have ascertained that you are subject to Inheritance Tax as you are either UK domiciled or will be deemed long-term resident from 6 April 2025, i.e. you have been tax resident in at least 10 of the last 20 tax years. I have explained to you that the value of your bond can fall as well as rise and your trustees may get back less than originally invested. [The adviser should demonstrate here that the client has an exposure to UK IHT, either due to them being UK domiciled (prior to April 2025) or because they are long-term UK resident from 6 April 2025 as described above. They should advise that, should they be intending to leave the UK and so will no longer be long term resident, the trust is unlikely to be suitable for them as their exposure to UK IHT will then only be in respect of UK situs assets.

The adviser should also insert here any comments about diversification and specific fund choices given to the policyholder.

They may also want to demonstrate that the level of income is appropriate to the client on the basis it should be spent or it will remain liable to IHT. This point should be balanced with the fact the income level and frequency gives rise to the immediate discount. The client should understand that this income cannot be altered nor can the bond be surrendered or assigned during their lifetime and the adviser may want to include details of discussions around these critical points].

3.2 CAPITAL REDEMPTION BASIS

In the UK a bond held on a capital redemption basis receives similar tax treatment to that of a life assurance bond. However, unlike a life assurance bond, a capital redemption bond does not require any lives assured. This feature can make capital redemption bonds useful where the policy will be held in trust for a long time or where there is a financial goal that requires a product with more longevity than a life assurance bond.

The capital redemption bond still has a policyholder or multiple policyholders but as the bond does not have to end on anyone's death, it is able to continue for up to 99 years, unless it is totally surrendered by your trustees after your death or the value falls below the amount needed to keep it in force. This product is therefore useful when used in association with trusts and estate planning.

3.3 THE 'DISCOUNT'

The bond is gifted into trust. You (the settlor) cannot benefit. If you survive seven years from establishment of the bond the whole amount will therefore be out of your estate for IHT purposes. However, a key benefit of a discounted gift trust, such as the Generation Planning Bond, is that, if you were not to survive the required seven years, the 'discount' calculated at establishment would reduce the value of the gift into trust. This can provide you some comfort that, should you not survive the required seven years for the gift to fall out of your estate, your loved ones will have a reduced IHT liability.

Please be aware that in order to calculate your 'discount', Utmost is required to underwrite the policy. You will need to provide medical information within the application form and allow Utmost to contact your doctor to request a General Practitioner's Report (GPR) which will be sent to Utmost's underwriters by your doctor. The underwriters will then assess this information and provide an assessment of your state of health and life expectancy at the time the bond is taken out. In some cases, further medical information, examinations, or tests may be required.

3.4 REGULAR WITHDRAWALS

Your regular withdrawals are arranged at establishment of the bond and will remain as such until your death or until the value of the bond is exhausted. You cannot make changes to the level of withdrawals you receive. You have chosen a level of withdrawal of [the adviser should state here the level of withdrawal and whether they have chosen escalation in line with RPI. The adviser may want to show here why this level of withdrawal is appropriate to this client's circumstances].

Up to a maximum of 5% of your original premium can be withdrawn each year for 20 years free from any immediate tax charge. Any withdrawals in excess of the 5% entitlement will be a chargeable gain and subject to income tax. [If the adviser has selected the escalation option then they should make it clear that future withdrawals could become taxable. The adviser may want to show here why this level of withdrawal is appropriate to this client's circumstances].

3.5 DISCRETIONARY OR ABSOLUTE BASIS

3.5.1 Discretionary basis

The Discretionary basis provides your trustees with the power and flexibility to decide who, and to what extent, will benefit from the trust fund. Using this basis of trust can enable your trustees to change the beneficiaries of the trust in order to suit changing circumstances. Furthermore, you are able to provide your trustees with a letter of wishes informing them of any changes to beneficiaries you may require. However, you should be aware that a letter of wishes is not a legally binding document and any discretion still rests with your trustees.

Under the Discretionary Trust, the Residuary Fund is a Chargeable Lifetime Transfer (CLT). Provided you survive for at least seven years from the start of the bond, this CLT will no longer be accountable in your personal estate for IHT. The CLT is determined at the start and is not changed by future withdrawals or investment growth. It means that a combination of withdrawals and poor investment performance could lead to a situation where the value of the bond was lower than the CLT.

The Discretionary Trust is subject to the following tax charges. [The adviser may wish to include these charges and relate them to the individual circumstances of the case.]

Entry charge

An immediate entry tax charge at the lifetime rate of 20% (gross up to 25% if you as the Settlor pays the tax) is payable on the amount of the CLT if, when added to any other CLTs you have made in the previous seven years, it exceeds the nil rate band (NRB) (The 2022 November Statement confirmed that the Nil Rate Band will be frozen at £325,000 until at least April 2030). [The adviser should explain here why there will be no entry charge given the details of the case, or if there is an entry charge the amount of the tax charge. I have explained to the client there will be no entry charge/the value of the entry charge is £x]

Wording for joint cases

As your bond is written on a joint life basis, the CLT will be split between the two of you and the NRB available to each of you will be used to offset each person's IHT liability. If the bond is written on a joint basis and one of you dies within the first seven years, IHT will become payable on that individual's share of the joint gift if not covered by any available NRB. As the bond cannot be surrendered until the second death, it is important to ensure that there are some other assets available to pay any IHT which may become payable at such a time.

[The adviser should indicate in their report the respective chargeable lifetime transfers for each Settlor. They may also want to add in comments about how any IHT liability would be covered if death should occur.]

Periodic charge

A periodic charge of 6% is currently payable every ten years from the date the trust was set up, but only if at that 10 year point the value of the trust fund (less the value at that point of the withdrawals expected to be paid to you) is over the NRB applicable at the anniversary date. Please note that as monies cannot be taken from the bond during your lifetime to pay the periodic tax charge, you will be liable for any applicable IHT. [The adviser may want to detail discussions they had with the client in this area.]

Reason for choosing a discretionary trust

We have chosen this option as you would like to keep a level of flexibility in your trust to enable the trustees to have a choice of who will be the beneficiaries in the future. At this moment in time you have chosen [List the categories of beneficiary chosen] to be potential beneficiaries. [The adviser may also want to detail here discussions about the potential classes of beneficiaries and letter of wishes etc.]

3.5.2 Absolute basis

The Absolute basis of the trust enables you to name any individual(s) you directly want to receive capital from the bond upon your death and in what proportion. **This cannot be changed afterwards by your trustees.** Under the Absolute Trust, the Residuary Fund is a Potentially Exempt Transfer (PET), meaning that provided you live for at least seven years from the start of the bond, this PET is totally free of IHT. If you were to die within seven years, the PET will be included in the value of your estate for IHT purposes. Depending on when your death occurs and what other gifts you have made, taper relief may be available to reduce the amount of IHT payable if the total of your chargeable transfers exceeds the available nil rate band allowance at your death.

The amount of the PET is determined at the start and is not impacted by future withdrawals or investment growth. All future investment growth is outside your estate for IHT purposes. However, a combination of withdrawals and poor investment performance could lead to a situation where the value of the bond is lower than the PET. If this happened, and death occurred within the first seven years, the value of your investment for IHT purposes would be higher than the actual value of the bond.

Wording for joint cases

As the bond is written on a joint basis, if one of you dies within the first seven years IHT will become payable on that individual's share of the joint gift if not covered by any available NRB. As the bond cannot be surrendered until the second death, it is important to ensure that there are some other assets available to pay any IHT which may become payable at such a time.

In addition, please note that even on second death (or on your death if you are a single applicant) your personal representatives cannot insist that the trustees meet any IHT payable on your estate from the proceeds of the bond.

Beneficiaries of an Absolute Trust cannot be changed, and may be subject to the laws of intestacy which means that if they die having not made a will, their share of the trust fund could go back into your estate. [The adviser should discuss who they considered appointing and detail the discussions with the client – for example if they want to appoint minor beneficiaries they should make it clear that they are unable to make a will etc].

Reason for choosing absolute trust

We have chosen this option as you are certain who you wish to benefit from the trust. We have chosen [name(s) of beneficiary] to be your named beneficiaries. Please be aware that if your named beneficiary dies before you then this may create a potential IHT liability; with the value of their rights under the trust falling into their estate. Their rights under the trust will pass to their personal representatives/administrators to distribute in line with their will or, if there is no will, under letters of administration. [The IFA should make specific comments as to the beneficiaries' circumstances and perhaps cite that they have discussed with the client amending or creating wills for the beneficiary to avoid monies potentially falling back to the client]

3.6 IN-HOUSE TRUST COMPANY

Being a trustee can be a time-consuming and often complex role. Utmost International Trustee Solutions Limited offers competitively priced services to bonds and trusts issued by Utmost. By investing in the Generation Planning Bond you are able to make use of this comprehensive professional trustee service. We discussed how this would ease your worries with regards to picking and choosing family members to act as trustees and ensure that your trustees are not affected by incapacity through death or personal circumstances.

Utmost International Trustee Solutions Limited will provide a continuing service for as long as required until your trust is either fully distributed to your beneficiaries, or until alternative trustees are appointed. Furthermore, the professional trustee's decisions are not influenced by subjective family or personal considerations, and they will keep trust records safe and secure whilst dealing with the reporting obligations required by both government and inter-government agreements.

[The company details for Utmost International Trustee Solutions Limited can be found in the footer at the end of this document.]

3.7 WHY UTMOST PANEUROPE DAC

Utmost PanEurope dac is part of Utmost Group, a leading provider of insurance and savings solutions in the UK and internationally. We provide modern, flexible solutions which assist our clients in securing their financial futures. The core businesses of Utmost Group are Utmost International and Utmost Life and Pensions.

As at 31 December 2024, Utmost Group has over £100bn in assets under administration and 480,000 customers.

3.8 ABOUT IRELAND

As a jurisdiction, Ireland has been given a long-term credit rating of Aa3 with a 'positive' outlook by Moody's as at 16 August 2024. An Aa3 rating from Moody's depicts their opinion of an institution's risk and financial stability. Further information on Moody's ratings can be found at www.moodys.com/creditratings

Utmost PanEurope dac is authorised by the Central Bank of Ireland (as their Home State regulator).

3.9 POLICYHOLDER PROTECTION

In addition, in June 2024 Fitch, one of the top rating agencies, reaffirmed, alongside the rating of the other companies operating under the Utmost Wealth Solutions brand, Utmost PanEurope dac's Financial Strength (IFS) rating of, 'A+' with a Stable Outlook. The affirmation reflects the strong capitalisation and solvency of Utmost PanEurope dac as well as its stable leverage ratio.

Utmost PanEurope's liability to its policyholders is to pay the value of the bond on surrender, part-surrender, death or maturity. Policyholder liabilities are matched so that the unit value of the bond will reflect the performance of the assets you have chosen to link to your bond to. So, if the unit price has fallen in a particular fund, or if the fund has a value of zero as it has gone into liquidation, this will be reflected in the bond's value and the amount paid back to you.

4.0 HOW WE USE YOUR INFORMATION

Our Privacy Statement explains when and why we collect personal information about our customers, how we use it, the conditions under which we may share it with others and how we keep it secure. It also explains how long we keep your information for, how you can obtain details of the information we keep and the choices you have about how we use that information. You can find a copy on our website at **www.utmostinternational.com/privacy-statements** or you can contact our Customer Service team on **+44 (0) 203 038 3941** and request a copy.

A WEALTH *of* DIFFERENCE

www.utmostinternational.com

Utmost PanEurope dac (registered number 311420) is regulated by the Central Bank of Ireland.

Registered Office address: Navan Business Park, Athlumney, Navan, Co. Meath, C15 CCW8, Ireland. Utmost PanEurope dac is a Category A Insurance Permit holder with the Jersey Financial Services Commission.

Utmost Wealth Solutions is registered in Ireland as a business name of Utmost PanEurope dac.

Utmost International Trustee Solutions Limited is registered in the Isle of Man under number 137986C.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 and Utmost International Trustee Solutions are registered in the Isle of Man as business names of Utmost International Trustee Solutions Limited.

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