SELECTION
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 use of the wording provided in these paragraphs.

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utmost™
WEALTH SOLUTIONS

1. REASONS TO CHOOSE A BOND

Investment bonds generally aim to produce mid to long term growth (meaning five to ten years or longer), 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

› Top slicing relief

› Time apportioned reduction.

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 you to surrender individual policy segments from your bond, or assign policy segments prior to surrender to reduce the amount of tax payable.

The bond will be set up with a default of 60 segments, however you have a choice of any number of segments up to 9,999 provided the minimum amount of £500 per segment is met. We have therefore set up your bond with [insert number of segments] segments for tax efficiency.

1.2 TAX FREE SWITCHES WITHIN THE BOND

Investing in a bond enables you 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 your bond will not be liable for tax. If you 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 your annual capital gains tax exemption. We have discussed how this ability for you to change the assets linked to your bond may be beneficial for you 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

A bond, or individual policy segments within a bond, can be assigned to another individual who is 18 or over and legally capable. This can help with your tax planning at a time that suits you. 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(s) is then assessed to tax on the bond at their marginal rate of income tax when subsequent chargeable events occur.

Any such assignment to an individual, other than your spouse/registered civil partner, would generally be a potentially exempt transfer (PET) and may still be included in the calculation of your estate for inheritance tax purposes if you do not survive seven years from the date of the assignment. An assignment to your spouse/registered civil partner would normally be covered by the spousal exemption for inheritance tax purposes.

The ability to assign the bond, or policy segments, to others may be beneficial as it can help to lower any potential tax liability. For example, it could allow you to retain full control over the bond throughout the investment period and then perhaps utilise your spouse's, or adult child's, personal income tax allowance and marginal tax rates at the point of surrender, which may be lower than your own.

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 your tax return until a chargeable event occurs. As a result, a bond is a potentially tax-efficient method for deferring UK income tax liabilities.

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 your annual tax return unless there is a chargeable event.

1.6 TAX-EFFICIENT WITHDRAWALS

Every year you are entitled to take 5% of your initial premium (and any subsequent premiums) without incurring a chargeable event. This is referred to as the 5% annual tax deferred entitlement and this can be very useful if you are looking to make withdrawals of capital without incurring an immediate charge to income tax.

Tax rules can change and are subject to individual circumstances.

1.7 TOP SLICING RELIEF

If your other taxable income is below the higher, or additional, rate income tax threshold, top slicing relief may reduce your liability to higher rate or additional rate tax if a chargeable event occurs. To calculate any higher, 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 you have held the bond for a number of years without a chargeable event occurring, top-slicing relief can be used to reduce the amount of tax payable on your gain.

1.8 TIME APPORTIONED REDUCTION

If you spend time overseas the gain on your bond can be reduced by a fraction; referred to as a time apportioned reduction. This fraction is broadly calculated by looking at the number of days you were not resident in the UK and dividing this by the number of days your bond has been in force. This can be useful if you are resident overseas and intend to return to the UK, whilst still retaining your bond. The fraction allows for any potential gains to be reduced to account for the time you spent overseas. Furthermore, if your bond is assigned to your spouse or civil partner then their period of overseas residence can be used to determine the number of foreign days.

Tax rules can change and are subject to individual circumstances.

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. They are very similar to investment bonds issued in the UK, but, unlike their UK counterparts, gains within the fund 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.

International investment bonds generally aim to produce mid to long term growth (meaning five to ten years or longer). As a reminder, the benefits available to bonds in general are:

› Potential tax deferral – no personal tax liability 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 you

› Potential for tax-efficient assignments.

Benefits unique to international investment bonds:

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

› Wider range of funds to choose from than under 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 you 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 your 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 policyholder when a chargeable event occurs. Chargeable events include, but are not limited to, surrender of the bond, withdrawals in excess of the 5% annual tax deferred entitlement, or the death of the last life assured if the bond is written on a life assurance basis.

The effect of 'gross roll up' can, in certain circumstances, help you 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, you should be aware that on an international investment bond you 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. An international investment bond will typically differ from most onshore (UK) bonds in that it will allow 'Open Architecture' investment. Open Architecture allows you to link the value of your bond to a wide range of permissible collective investment schemes and cash deposits which can provide additional choice. Additionally, it is possible to link your bond to a Discretionary Fund Manager to manage your investments for you.

3. REASONS WHY SELECTION

3.1 WHAT IS SELECTION?

Selection is an international, single premium life assurance or capital redemption bond designed for medium to long term investment (meaning five to ten years or longer). To increase flexibility, your bond can be set up with up to 9,999 identical policies, called segments. Each segment is a specific legal contract having its own applicable charges and right to full surrender, giving you greater flexibility.

Selection provides you with a convenient single product structure through which you can make investments into multiple funds and cash deposits. Furthermore, it wraps all these investments into one product (the bond) for ease of administration and tax efficiency. Utmost PanEurope's **Selection** requires you to select an Open Architecture basis from outset. We have discussed how this wide range of fund choice can better suit your investment needs.

I have explained to you that the value of your bond can fall as well as rise and you may get back less than originally invested. [The adviser should insert here any comments regarding diversification and specific fund choices given to the policyholder.]

Selection provides you with choice and flexibility. It enables you to manage your investments tax-efficiently and all in one place.

3.2 LIFE ASSURANCE BASIS

A life assurance bond is a contract of insurance based on a single life, or multiple lives (up to a maximum of six are allowed on **Selection**) and in the case of this bond, ends on the death of the last or sole life assured. When the sole or last life assured dies, the proceeds are paid out to any surviving policyholders or, if there are none, to the policyholder's personal representatives.

By choosing a life assurance basis for your Selection bond you can ensure that the bond will end upon the death of the last of the selected life/lives assured. For example, by selecting yourself as the sole life assured any proceeds can be paid out to your estate on your death. I have explained that there is only a nominal life assurance element provided on this product of £1 per policy segment.

We have discussed the various options and have decided that XX should be the life assured. [The adviser should state here why this selection was made citing the reasons given to the policyholder.]

3.3 CAPITAL REDEMPTION BASIS

Holding your bond on a capital redemption basis means that it is a contract of insurance with similar tax treatment in the UK to life assurance policies, but with the added advantage of not needing to nominate people to be the 'lives assured'.

The capital redemption bond still has a policyholder, or multiple policyholders, but as the bond does not have to end on anyone's death. This means it is able to continue for up to 99 years, unless it is totally surrendered 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.

3.4 VAT DISCOUNT ON DISCRETIONARY MANAGEMENT FEES

Selection may also offer you the benefit of lower charges for the discretionary managed service you receive. This is because the VAT position of discretionary management services is based on the VAT code of the jurisdiction where the recipient of that advice is located. Under **Selection**, the recipient of the discretionary management services is deemed to be Utmost PanEurope dac and not you.

As Utmost PanEurope dac is located in Ireland, it is necessary to apply the Irish Revenue's interpretation of the VAT legislation. This legislation recognises **Selection** as a VAT exempt Special Investment Fund, and as a result treats the discretionary management services connected to the bond as within the VAT exemption in Ireland.

Please note that tax rules can change in the future and are subject to individual circumstances.

3.5 WHY UTMOST PANEUROPE DAC?

Based in Dublin, Ireland, Utmost PanEurope dac is part of the Utmost Group and markets its products under the Utmost Wealth Solutions brand. As at 31 December 2023, Utmost Group managed c. £62.8 billion assets under administration for c. 500,000 customers.

Please note that past performance is not a reliable indicator of future performance.

3.6 ABOUT IRELAND

As a jurisdiction, Ireland has been given a long-term credit rating of A1 with a 'positive ' outlook by Moody's as at 6 May 2022. An 'A1' 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).

3.7 POLICYHOLDER PROTECTION

In the event that Utmost PanEurope dac is unable to meet its liabilities to its policyholders, policyholders will not be able to claim under the UK Financial Services Compensation Scheme. However, a strong regulatory environment exists in Ireland which is designed to protect policyholders.

Solvency II requirements mean that in the unlikely event of insolvency of the life insurer, policyholders will have first claim in respect to the assets representing the technical reserves, provided the cost of the liquidation are met. The Central Bank of Ireland (CBI) also regulates the activities of any Irish authorised life insurer and has continuous oversight over the governance, risk management and controls through reviews and inspections. The CBI also puts in place approval processes for key individuals making sure they have the necessary skills to perform key functions.

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 dac'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 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.

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.

ALE PR 0009 | 06/24