

# OFFSHORE BONDS

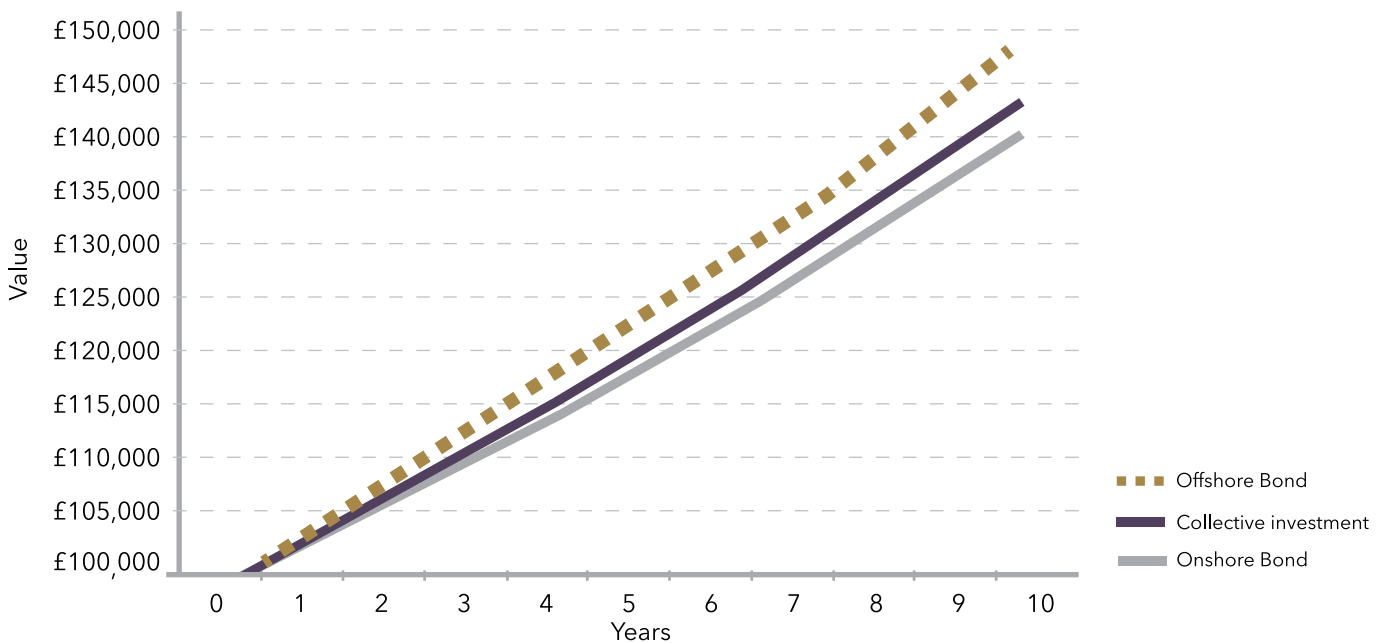
## THE REAL BENEFIT OF 'GROSS ROLL-UP'



### OFFSHORE BONDS BENEFIT FROM 'GROSS ROLL-UP' WHICH MEANS:

- ✓ bonds issued in jurisdictions such as the Isle of Man or the Republic of Ireland are not liable to any income tax, capital gains tax or corporation tax in those countries.
- ✓ growth inside the offshore bond is tax free (except for any withholding tax deducted on some dividends in their country of origin).

This can lead to a faster accumulation of growth



	OFFSHORE BOND	COLLECTIVE INVESTMENT	ONSHORE BOND
Initial investment	£100,000	£100,000	£100,000
Product tax paid over the 10 year period	£0	£0	£7,006
Personal tax paid over the 10 year period	£0	£2,754	£0
Value after 10 years	£148,024 <sup>2</sup>	£142,620 <sup>1</sup>	£139,703 <sup>2</sup>

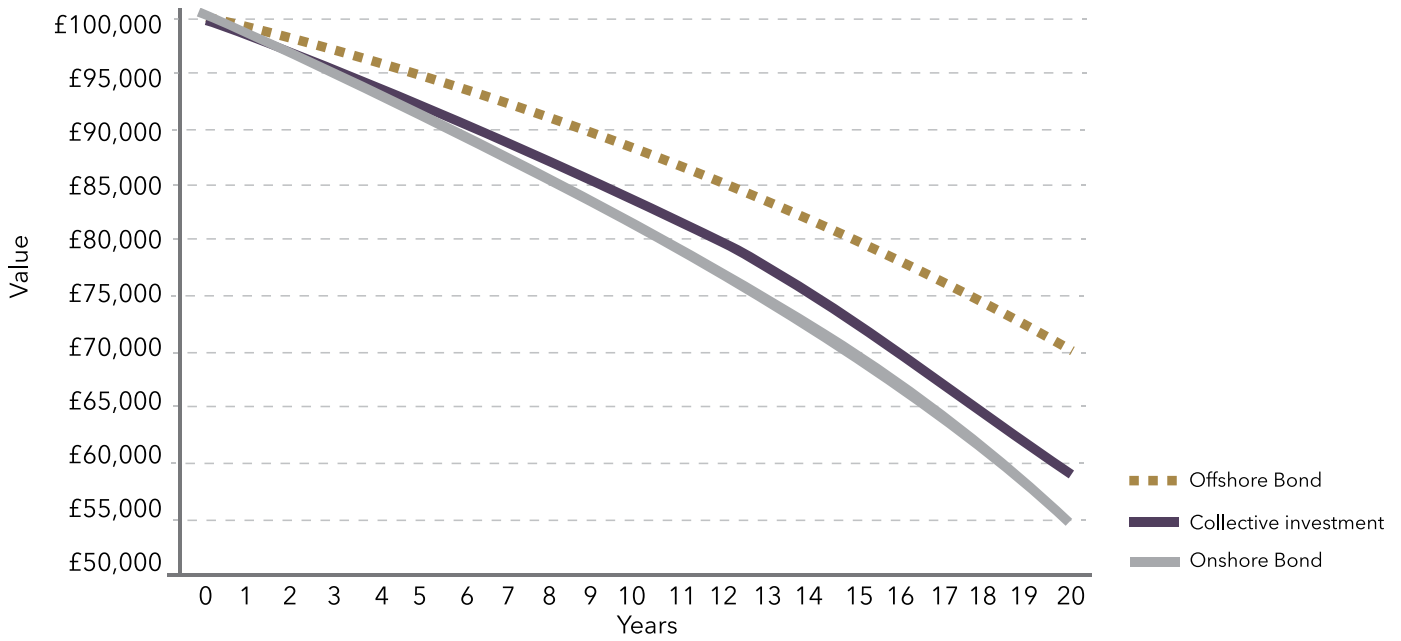
<sup>1</sup> assumes a net annual rate of return of 4% (2% is from capital growth, 1% is from dividends and 1% is from interest), the client is a higher rate taxpayer, with a £500 personal savings allowance and £1,000 dividend allowance. The figures do not include product or advice charges and assume CGT allowance has been used. This example is fictional and used for illustrative purposes only.

<sup>2</sup> some personal tax may be payable on the surrender of the bond but this will depend on the personal circumstances of the policyholder(s) owning the bond at the point of surrender, including any other sources of income. For example, if the bond is surrendered by a non-taxpayer, there may actually be no further tax to pay; which may occur if the policyholder's circumstances have changed prior to the point of surrender or if the bond has been subsequently assigned. There may also be no further tax to pay if the policyholder is a basic-rate taxpayer and the policy is an onshore bond. In either case, the individual will also potentially benefit from top-slicing relief and time apportionment relief if they have spent any time overseas.

GROSS ROLL-UP CAN HELP SUSTAIN AN INCOME STREAM FOR LONGER

When money is regularly withdrawn, gross roll-up helps to soften the cumulative impact this can have on the remaining investment. The graph below shows the impact of withdrawing £5,000 (5% of the initial investment) each year for 20 years on a £100,000 investment.

Gross roll-up within an offshore bond can reduce the impact of taking regular withdrawals on the remaining investment by as much as £15,000 in comparison to an onshore bond.



	OFFSHORE BOND	COLLECTIVE INVESTMENT	ONSHORE BOND
Initial investment	£100,000	£100,000	£100,000
Product tax paid over the 20 year period	£0	£0	£9,744
Personal tax paid over the 20 year period	£0	£4,500	£0
Amount withdrawn over the 20 year period	£100,000	£100,000	£100,000
Remaining value after 20 years	£70,222	£59,386	£55,215

The same assumptions as overleaf apply. This example is fictional and used for illustrative purposes only.

These figures only look at growth, and do not take into account any difference in product charges that may occur, and do not look at the different net values after encashment. For example, if your client surrenders more than the cumulated tax-free allowance, they may be subject to income tax on the gain at their marginal rate of tax, which could negate the benefit of gross roll-up.

However, if your client assigns segments to their spouse, civil partner, or children, or if they place the offshore bond into a trust, then the net position could be beneficial. Income paid from a collective investment is taxed as dividend income. The collective investment's market value derives from 60% or less in cash and fixed interest stock and is therefore classed as an equity fund.

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

## A WEALTH *of* DIFFERENCE

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