

WHY USE A CAPITAL REDEMPTION BOND?

A CAPITAL REDEMPTION BOND COULD PLAY A CRUCIAL ROLE IN YOUR CLIENT'S INTER-GENERATIONAL TAX PLANNING.

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 bond 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.

ROBUST

A capital redemption option can continue for many years (Utmost's CRB option has a 99 year lifespan). This gives your clients an investment that could span for several generations.

CONTROL

Chargeable events will only arise when withdrawals are taken or when the bond is surrendered. The death of any party related to the bond does not create a chargeable event.

SIMPLE

As there is no requirement for lives assured, a capital redemption bond removes any issues over who to appoint as a life assured.

CAPITAL REDEMPTION BOND BENEFITS

1

NO LIVES ASSURED

Assuming a life assurance bond is written on a 'last survivor' basis, it must end when the last life assured dies. There is always the risk of untimely death, leading to negative tax consequences. A capital redemption bond removes this risk entirely, as the bond is not linked to anyone's life, which in turn removes the burden of choosing lives assured.

2

CORPORATE INVESTMENT

As company directors may come and go, keeping in touch with them can be fraught with difficulties. By having no lives assured, a capital redemption bond can avoid this issue. This can allow the bond to continue through management re-structures without any such complications arising.

3

DISCOUNTED GIFT TRUST OPPORTUNITY

By using a capital redemption bond there is the option to convert to a Discounted Gift Trust once the bond has been held for a minimum of 12 months. This maintains the tax efficiency of the bond and enables Inheritance Tax mitigation.

4

TRUSTEE INVESTMENT

Trusts are potentially a very useful, tax-efficient method of passing on your client's wealth to future generations of their family.

A capital redemption bond removes the need to connect the investment to an individual's life and instead enables a longer term for the investment, provided the required minimum value remains in the bond. Such an arrangement is very useful in inter-generational planning and trust usage, as it reduces the risk of the bond ending unexpectedly and jeopardising the trust planning.



Please see the relevant **Product Guide** for further details.

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An Utmost capital redemption bond can only continue whilst there is sufficient value in the bond for it to remain in force.

The value of the bond can fall as well as rise and your client or their trustees may get back less than invested.

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