

# FAMILY LEGACY BOND

PRODUCT  
GUIDE



A WEALTH *of* DIFFERENCE

utmost<sup>™</sup>  
WEALTH SOLUTIONS

Utmost Wealth Solutions is the brand name used by a number of Utmost companies.

The Family Legacy Bond is issued by Utmost International Isle of Man Limited.

This product is only available to customers of NFU Mutual Select Investments Limited (MSIL).

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# BEFORE YOU BEGIN



## IMPORTANT NOTE

You must receive professional financial advice before investing in the bond as the Family Legacy Bond is a complex product.

This document should be read together with the **Family Legacy Bond Key Features Document**, any applicable disclosure documents and the **Family Legacy Bond Fund List and Fund Specific Risks** document available from your financial adviser.

This guide and the features and benefits it describes, are based on our interpretation of current law and taxation practice in the UK and Isle of Man as at 1 September 2023, which could change in the future and are subject to individual circumstances. Therefore the tax benefits of this product may also change.

## TO HELP YOUR UNDERSTANDING

Throughout this guide words in the singular shall include the plural and vice versa.

- › 'We', 'us' or 'Utmost' mean Utmost International Isle of Man Limited.
- › 'You' refers to you personally as both the applicant of the bond and the creator (Settlor/Donor) of the Trust.
- › 'You' also includes your spouse or civil partner if you are applying as joint applicants. References to 'your death' or 'your lifetime' includes both you and your surviving spouse or civil partner if you take out a joint bond.
- › The Family Legacy Bond is referred to as the 'bond' throughout this guide. The bond means the product that is issued and the series of identical Policy segments it contains.
- › 'Income' refers to the fixed, regular withdrawals of capital from the bond arranged at inception of your product.
- › 'Inheritance Tax (IHT)' is a form of taxation in the UK that is charged on assets transferred upon death.

## TRUST REGISTRATION

It is important to note that most UK Trusts, including the Family Legacy Bond Discretionary and Absolute Trusts, will need to be registered through the UK Trust registration service and may need to be registered in an EU Member State. It is your responsibility (or the responsibility of your Trustees) to ensure that this Trust is registered accordingly.

This information is based on our understanding of current legislation and HM Revenue and Customs (HMRC) practice. It does not constitute legal or taxation advice. Speak to your financial adviser for further information on Trust registration requirements.

## POLICY SCHEDULE

The Policy Schedule and Policy Conditions set out details specific to your investment and is proof of ownership of the bond. It will be included in the documents pack sent out to you after you invest.



This symbol highlights the important sections within this **Product Guide** which are mentioned in the **Family Legacy Bond Key Features Document**.



You should pay particular attention to the sections marked with this icon.

# WHY INVEST?

The Family Legacy Bond is an investment solution that may be suitable for your current needs and those of your family and friends in the future.

One of the dilemmas associated with IHT planning is how to gift capital to your Beneficiaries in order to mitigate your estate's IHT bill, but still retain enough 'income' to maintain your current lifestyle.

The Family Legacy Bond may be the right choice for you if:

- › You are UK resident and domiciled and have a potential UK IHT liability.
- › You have £100,000 or more to invest.
- › You are looking for an investment that could be used to reduce your estate's liability to IHT, whilst retaining the right to regular withdrawals of capital, also referred to as 'income', in this guide, throughout your lifetime (or until the value of the bond falls to zero).
- › You are prepared to accept risk to your capital. The level of risk will depend on the funds chosen.

The Family Legacy Bond gives you the ability to enjoy tax-deferred withdrawals from the capital you've built up, as well as providing for your loved ones after you've gone.

UK IHT<sup>1</sup> is levied at 40% on the amount by which your estate exceeds £325,000, which is not otherwise being left to your spouse or to charity. That may sound like a lot of money to be passed on without any IHT liability, and it is, but take a moment to think about the assets you own. It's likely that you have a house, a car, some life insurance, savings, shares, or other investments. If your total assets exceed £325,000 your estate may be liable to IHT.

## HOW CAN THE FAMILY LEGACY BOND HELP?

- › By allowing you to make a lifetime gift into Trust, but retain the right to fixed regular 'income' payments. These continue until your death or the bond value falls to zero.
- › If you live for seven years after making your gift into Trust, the entire value of the bond will be outside of your estate for IHT purposes. Further details regarding taxation are given in the 'What Are The UK Inheritance Tax Implications?' section.
- › If your death occurs within seven years of making the gift into Trust, the estimated value of the 'income' payments should reduce the value of your gift for IHT purposes. If you apply on a joint basis the initial gift you each make is deemed to be half the value of the premium paid. The estimated value of the 'income' is then valued in accordance with each life and the value of the gift is reduced accordingly. This is in line with accepted HMRC practice.
- › Any investment growth in the Trust will immediately be outside of your estate for IHT purposes.
- › You can select your Beneficiaries by name or by category depending on the type of Trust chosen, as well as how you would like the Trust fund to be distributed after your death, without the need to include this in your will.
- › After your death your Trustees may wish to retain the bond for the future benefit of your Beneficiaries to suit their longer term needs or tax position, or if the Trust permits, for their own children or grandchildren.
- › Alternatively, your Trustees may choose when to distribute the remaining Trust fund to your Beneficiaries. As the bond is in Trust there is no requirement to wait for probate if funds are required urgently.



This product is not generally suitable for people who have no other form of savings or income. It cannot be surrendered during your lifetime, so you would not be able to get your capital back if you required it in the future.

<sup>1</sup> A reduced rate of 36% applies if a person gives away at least 10% of their net estate to charity (i.e. after deductions such as the available nil rate band and other reliefs and exemptions). The 40% IHT rate will apply for any other estate. The nil rate band will be frozen at £325,000 until at least 2027/28. In addition, the residence nil rate band has been phased in since 2017 and now stands at £175,000. It will remain at this level until tax year 2027/28. This provides an additional nil rate band on death to be used against certain qualifying residential property. If you think this could apply to you, then you should speak to your financial adviser for more information.



## HOW IT WORKS

As soon as the bond is set up, your investment is split into two notional parts for IHT purposes.

- › **The Grantee's<sup>2</sup> Fund** (also referred to as the 'discount') represents the estimated value of the 'income' you will be paid. When paid to you, the value of any 'income' will still be within your estate for the purposes of IHT if not spent or gifted.
- › **The Residuary Fund** is the balance of your investment, after deducting the value of the 'discount', and is the initial value of your gift into Trust for IHT purposes.

## HOW IS THE 'DISCOUNT' CALCULATED?

Underwriting is an essential process in applying for a Family Legacy Bond. It is required to enable us to calculate more accurately the amount of your investment that is not treated as gifted for IHT purposes.

Before underwriting takes place you must decide the level of 'income' you want to receive throughout your lifetime (or until the value of the bond falls to zero).

You will need to complete a series of medical questions within the application form and allow us to contact your doctor to request a General Practitioner's Report (GPR) which will be sent to our underwriter by your doctor.

The underwriters will then assess this information and provide us with an assessment of your state of health and life expectancy at the time the bond is taken out. If, in their opinion, additional years should be added to your actual age to reflect your current state of health, they will provide Utmost's actuaries with a 'rated age'.

The underwriters' assessment then enables Utmost's actuaries to estimate the value of your right to your chosen 'income' for your lifetime (the 'discount'). The value of your right to this 'income' is then deducted from the value of your gift, providing an immediate discount should your gift become chargeable to IHT.

Once the bond has been set up, we will issue you with a Certificate of Valuation showing the value of your discounted gift. Your personal representatives may use this if they need to provide valuation evidence to HMRC if your gift becomes chargeable to IHT.

**Whilst we have followed current HMRC guidelines for underwriting and discounted gift schemes, HMRC reserves the right to examine and challenge any discount quoted.**

Your financial adviser will be able to explain the underwriting process to you in further detail.



This section is mentioned in your **Family Legacy Bond Key Features Document**.

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<sup>2</sup> Grantee is a term used to describe the recipient of any kind of property, in this instance the property will be the bond held in Trust.

# FAMILY LEGACY BOND ESSENTIALS

The Family Legacy Bond is a combination of an international, single premium, capital redemption bond and a Trust. It is used to mitigate IHT whilst providing you with an 'income'.

## WHAT IS A CAPITAL REDEMPTION BOND?

A capital redemption bond is an insurance Policy with a similar tax treatment in the UK to that of life assurance Policies. Using a capital redemption bond means that you do not need to nominate people to be 'lives assured'. It only has a policyholder or multiple policyholders, so does not have to end on the death of anyone. This provides your Trustees and Beneficiaries with more investment and tax planning flexibility.

To assist with this, the bond is normally made up of a series of identical segments known as 'Policies'. For each segment still in force after 99 years, we 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) twice the initial investment into the segment plus
- b) up to twice any additional investments into the policy<sup>3</sup> (subject to a sliding scale over time), with
- c) the total of (a) and (b) being reduced by any withdrawals, the reduction being the percentage of the overall fund represented by the withdrawal.

The calculation can be complex. Further details can be found in the **Policy Conditions** or further clarification can be obtained from us on request.

## WHAT HAPPENS WHEN I DIE?

If you invest jointly with your spouse or civil partner the bond will continue, with 'income' being paid on the same basis and frequency, until the second death or the value of the bond falls to zero.

Because the Family Legacy Bond is structured as a capital redemption bond, it will not end on your death. This means that if appropriate for your Beneficiaries' needs at that time, the bond can remain in force and continue to provide a flexible and potentially tax efficient investment for them until a distribution is required. Further details regarding what happens to the bond on death is set out in the 'What Happens to the Bond When I Die?' section of this document.



This section is mentioned in your **Family Legacy Bond Key Features Document**.

<sup>3</sup> Additional investments cannot be made during the lifetime of the applicants.

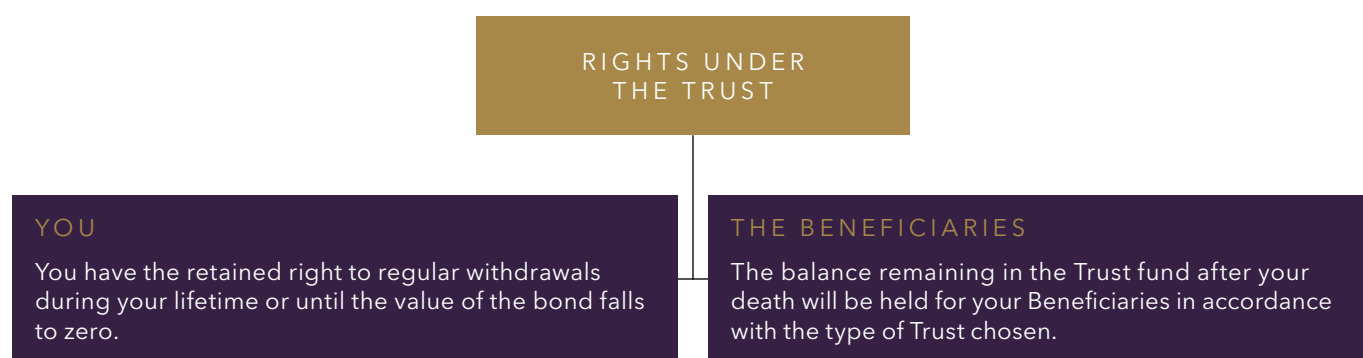
Some of the key information you should know about the Family Legacy Bond is listed below. If you have any questions about these details, contact your financial adviser.

YOU	
TYPE OF INVESTOR	The bond is designed for investors with UK estate planning needs, who can afford to give up access to their capital completely but require a regular 'income' from it.
AGE LIMIT	To apply for this bond you must be aged at least 50 but have an actual or rated age after underwriting, of under 90.
APPLYING AS AN ATTORNEY	Before applying, an attorney, acting under either a Lasting or Enduring Power of Attorney, must first obtain an order from the Court of Protection and be granted specific permission to invest in the Family Legacy Bond. Unless specifically authorised by the attorney document or the court, an attorney does not have the authority to gift a large sum to a Trust on the applicants' behalf. This is a complex matter and you should discuss it with your financial adviser before proceeding.
COUNTRY OF RESIDENCE	<p>The Family Legacy Bond has been designed to mitigate the impact of IHT in the UK, and is unlikely to be effective in mitigating similar taxes imposed by other countries. We are also unable to accept applications when the Trustees are resident outside of the UK. Contact your financial adviser if you have any questions.</p> <p>If you, your Trustees and/or Beneficiaries are resident outside the UK or are otherwise subject to tax in another jurisdiction, it will be your/their responsibility to declare to the appropriate tax authority any taxable benefits in accordance with the local tax rules and to pay any tax that is due in that country.</p>
THE INVESTMENT	
MINIMUM INVESTMENT	£100,000
MINIMUM AMOUNT OF REGULAR 'INCOME' WITHDRAWAL REGARDLESS OF FREQUENCY	£200
MINIMUM AMOUNT THAT MUST BE KEPT IN THE BOND AFTER CHARGES ON PARTIAL SURRENDER AFTER DEATH	£10,000
THE BOND	
BOND CURRENCY	The Family Legacy Bond is only available in Pound Sterling.
CHOICE OF PREMIUM CURRENCY	Premiums can be paid in any freely tradeable currency which will then be converted to Pound Sterling at the rate applicable on the day the monies are received. Currency fluctuations may affect the value of the investment.
PREMIUM PAYMENT METHOD	We will accept payments of your premium by BACS, CHAPS, telegraphic transfer, banker's draft or a cheque. If you pay your premium by CHAPS, telegraphic transfer or banker's draft, your bank may charge you for these services.
CHARGING STRUCTURE	An ongoing Product Management Charge is applicable for the lifetime of your bond and is taken quarterly in advance. For more information on the applicable charges refer to our <b>Family Legacy Bond Charges Guide</b> .
INVESTMENT CHOICE	The performance of the bond is linked to the performance of the underlying funds selected by you or your financial adviser. For details on the available funds see our <b>Family Legacy Bond Fund List &amp; Fund Specific Risks Document</b> .
POLICY SEGMENTATION	The bond is made up of a series of identical segments. You can select the number of segments (up to 9,999) subject to a minimum investment of £500 per segment. Each segment is a separate legal contract (referred to as a 'Policy') having its own applicable charges and right to full surrender in accordance with the terms.
ASSIGNMENT	The bond cannot be assigned during your lifetime. The Trustees have the option to assign the bond after your death.
SURRENDER RIGHTS	The bond or any individual segment cannot be surrendered during your lifetime. Only the agreed level of 'income' can be taken from the bond (by way of partial surrender across all segments). After your death, the Trustees can surrender the bond at any time.
REGULAR WITHDRAWALS	The regular withdrawals cannot be stopped or amended during your lifetime. The Grantee's Fund or 'discount' is calculated using the level of withdrawals you specify from the outset and therefore this cannot be changed.

# TRUST ARRANGEMENTS

The Family Legacy Bond is a discounted gift Trust and offers you the choice of two Trust options, an Absolute Trust or Discretionary Trust.

The diagram below shows how the rights for both you as the Settlor/Donor and the Beneficiaries are divided within the Trust. A Settlor is the creator of a Discretionary Trust, whereas a Donor is the creator of an Absolute Trust.



## ABSOLUTE TRUST

With the Absolute Trust, you name who is to benefit from the Trust after your death and in what proportion. This cannot be changed afterwards by you or your Trustees.

You may choose an Absolute Trust if you are certain of who exactly you want to benefit. Please be aware that if a Beneficiary of an Absolute Trust dies, their rights under the Trust pass to their personal representatives and cannot be assigned by you, as the Donor, or by the Trustees, to any other person.

## DISCRETIONARY TRUST

With a Discretionary Trust, the Trustees have the flexibility and power to decide who (from any of the potential Beneficiaries outlined in the Trust deed) will eventually benefit from the Trust fund after your death. This can allow them to meet changing family circumstances over time.

You can provide your Trustees with a letter of wishes to guide them in the distribution of benefits from the Trust, but a letter of wishes is not legally binding and your Trustees are not obliged to follow it.

## USING BOTH TRUSTS

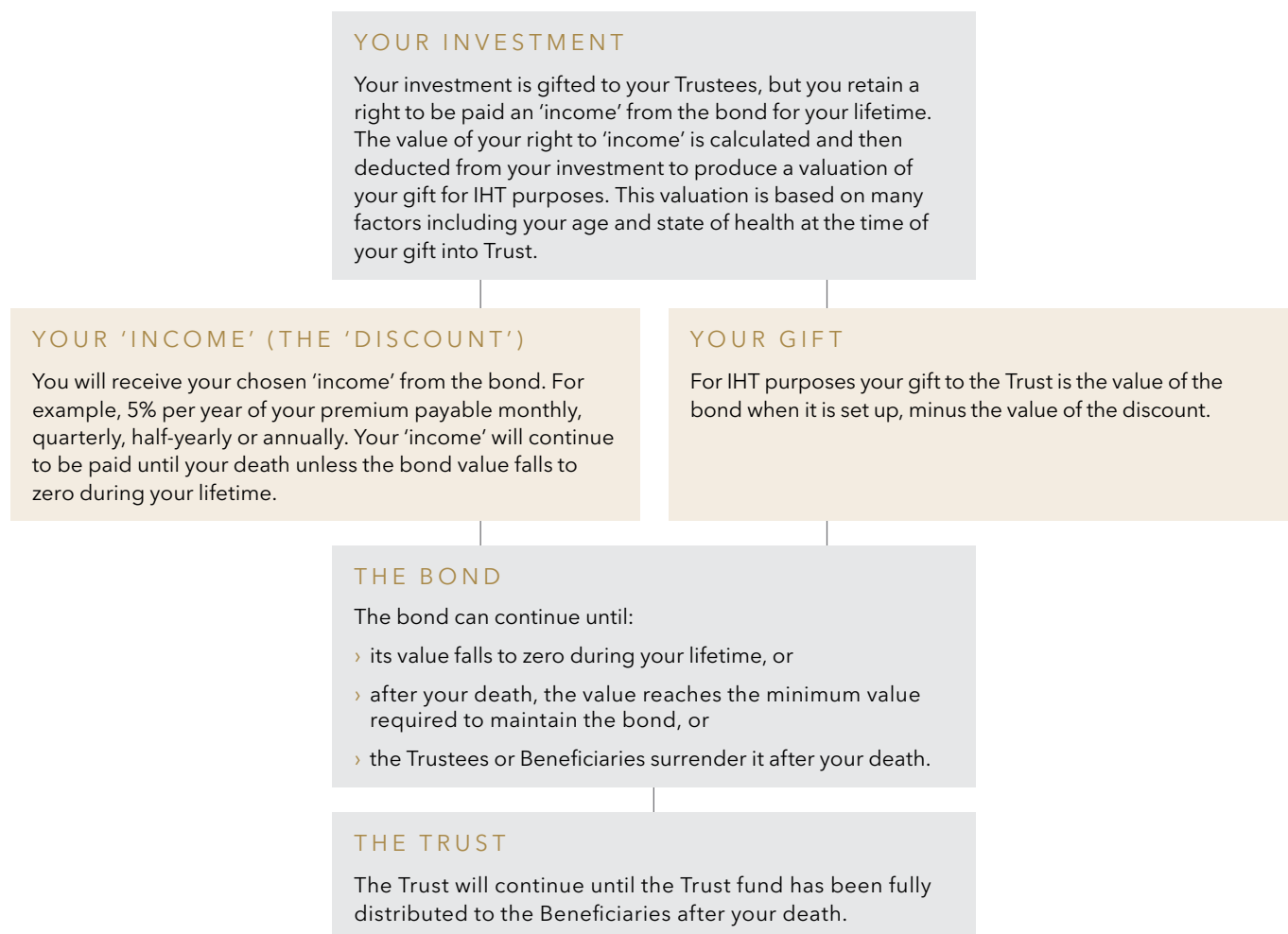
If you apply for both an Absolute Trust and Discretionary Trust, using the one application form, the minimum investment is £200,000 (£100,000 per Trust). In these circumstances, we will issue two separate bonds and both bonds will each have their own set of charges. It is important to discuss this option with your financial adviser, as the order in which they are set up can impact future IHT liabilities.



The tax implications of each type of Trust are different and your financial adviser will help you choose which Trust is most suitable for your circumstances.



## HOW DOES THE DISCOUNTED GIFT TRUST WORK?



### CHOOSING YOUR TRUSTEES

Choosing a trustee is a very important decision as the Trustees you appoint will legally own the bond and must manage it in the interests of the Beneficiaries.

Your Trustees will have to fulfil a number of duties set out by law which are designed to protect the interests of the Beneficiaries. If you choose a Discretionary Trust, your Trustees will also have the power to choose who will benefit from the Trust fund after your death. It is therefore essential that you choose Trustees that fully understand their role and responsibilities as a trustee.



This section is mentioned in your **Family Legacy Bond Key Features Document**.

If you appoint individual trustees there should be at least two appointed and they must be at least 18 years of age. You can choose to be a trustee yourself and/or appoint family members, including adult Beneficiaries or other individuals, to act with you. However, if you choose not to appoint additional or independent Trustees, it is important to consider what will happen when you die or if you lose capacity.

If you would prefer not to appoint your family or friends as Trustees, you could consider appointing professional individuals or a Trust company. Such professional Trustees will often charge for their services.

Utmost Trustee Solutions Limited offers competitively priced professional trustee services, some of which are offered free of charge for the Family Legacy Bond during your lifetime. For more information about Utmost Trustee Solutions Limited speak to your financial adviser, or ask to see our brochure **Utmost Trustee Solutions Limited- A Guide to Our Services**.

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



Once the bond is established, the Trustees become the policyholders and all decisions regarding the bond must be authorised by all of the Trustees or their delegates.

# SELECTING INVESTMENTS FOR THE BOND

The bond will initially be invested in the funds you and your financial adviser choose.

You can find details of the available funds in the **Family Legacy Bond Fund List and Fund Specific Risks** document.

Once the bond is established the investment decisions will be made by your trustees or their delegates.

## DEALING ACCOUNT

The main purpose of the dealing account is to enable the purchase and sale of funds linked to the bond.

The dealing account is also used to pay your regular withdrawals and charges, including the ongoing Product Management Charge. In some circumstances the dealing account can go overdrawn and interest on a debit balance can occur.

Contact our Customer Support team on +44 (0)1624 643 345 for further information on debit interest and the current rate applicable.

## CAN THE TRUSTEES CHANGE THE INVESTMENTS?

Yes, once the bond is set up your Trustees can provide us with new investment instructions at any time.



You should remember that the value of the funds can fall as well as rise. Taking into account market fluctuations and charges, your Trustees may get back less than you invested.



Information about the costs associated with the bond can be found in the **Family Legacy Bond Charges Guide**.



This section is mentioned in your **Family Legacy Bond Key Features Document**.



It is important to maintain a sufficient cash balance to cover the costs of any product charges, withdrawals, purchase requests and payment charges. If a sufficient cash balance is not maintained and the Dealing Account goes in to a negative balance then debit interest will apply. Debit interest on a Sterling account is currently charged at 5% above the highest interest rate we would apply on credit balances. We retain discretion as to where any money linked to the Dealing Account is invested. If this is held with a third party deposit taker, the value of the bond may be adversely affected in the event of the deposit taker's default. Our liability in these circumstances will be limited to such amounts, if any, which we may be able to recover from the defaulting third party.

# GETTING MONEY FROM THE BOND

You must take an ‘income’, in the form of regular withdrawals of capital, from the bond.

At outset you can choose the level of ‘income’ that suits your requirements and you can set them to be paid on a monthly, quarterly, half-yearly or yearly basis. The level of withdrawals you choose will affect the immediate discount to your estate and the value of your gift when setting up the Trust. Your chosen level of ‘income’ will also impact the amount that is left for your Beneficiaries after your death.

The withdrawals are intended to support your current lifestyle and it is important that they are set at an appropriate level and are not left to accumulate in your bank account. Each time you receive a withdrawal from the Trust, the amount is transferred back into your ownership. If these withdrawals are left to accumulate as savings they will form part of your estate. Therefore, if you save your withdrawals, you could counteract some of the IHT mitigation achieved by the Trust.

Your withdrawals are expressed as a percentage of the premium value (the premium is your original investment amount after any initial adviser charge has been paid). The reason for this is that the annual 5% tax-deferred entitlement is based on the premium paid into your bond and not the actual value of the bond. The tax-deferred entitlement and how your withdrawals are treated for tax purposes is explained in the ‘What Are The UK Income Tax Implications?’ section of this guide.

### CHOOSING AN INCREASING ‘INCOME’

When choosing your level of withdrawals, you have the option to set them to increase annually, by either a fixed percentage or in line with the UK Retail Prices Index (RPI). For example, if the total premium paid into your bond was £100,000 and you decide to take withdrawals of 4% increasing by 5% per year, you would receive £4,000 in year one, £4,200 in year two, £4,410 in year three and so on.

The table below shows the level of withdrawals and the rates of increase available:

RATE OF WITHDRAWAL AS A % OF PREMIUM	ALLOWABLE RATE OF INCREASE
UP TO AND INCLUDING 5% PER YEAR	not exceeding 7.5% per year
5.1% UP TO AND INCLUDING 7.5% PER YEAR	not exceeding 5% per year
7.6% UP TO AND INCLUDING 10% PER YEAR	no increase permitted



If the combination of your withdrawals and the product charges taken from the bond exceeds any growth in your chosen funds, the value of the Trust fund for your Beneficiaries will decrease.

The level and frequency of your withdrawals and any rate of increase cannot be altered after the bond has been set up. Choosing an appropriate withdrawal level is a very important decision and you should discuss this with your financial adviser.

## GETTING MONEY FROM THE BOND CONTINUED

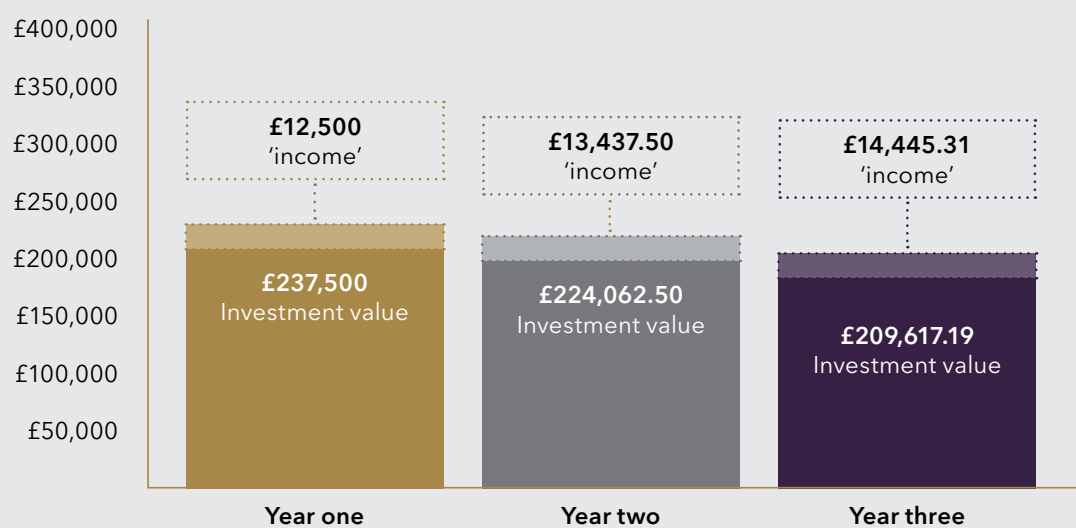
The diagram below shows the increase in 'income' and potential income tax implications, if you invested £250,000 and choose to receive a 5% 'income' per year, increasing by 7.5% annually.



If your regular withdrawals each year amount to more than the net investment growth within the bond, including product charges, the capital value of the bond will reduce. If the value of the bond is reduced to zero, your 'income' will stop.



Using a premium of £250,000 as per the example on the previous page, the diagram below shows the effect of an increasing 'income', where there is no investment growth or loss due to fund performance. This does not take into account the effect of product charges, which would reduce the investment value further.



HOW WILL MY INCOME BE PAID TO ME?

Payments will normally be made by BACS transfer to your bank account in the UK, Isle of Man or Channel Islands. BACS payments are currently free of charge, but can take three to five working days to reach your account.

A CHAPS transfer can be requested to ensure payment is made quickly, but a charge will apply. All foreign currencies or payment to foreign banks will be done by telegraphic transfer (international payment), for which a charge is made.



If you do not spend the 'income' you receive, it remains inside your estate and may be liable to IHT.

There may be instances where we are bound by laws and regulations preventing us from making payments to certain jurisdictions. Contact your financial adviser for more information.

# WHAT HAPPENS TO THE BOND WHEN I DIE?

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The Family Legacy Bond is written as a capital redemption bond and therefore does not end on your death or the death of any other party, providing greater flexibility for your Trustees and Beneficiaries. This flexibility means that any proceeds can be passed down to your Beneficiaries in a potentially tax-efficient manner.



It is important that you speak to your financial adviser if you have any questions, as the following information is not designed to be a comprehensive guide. Your Trustees should also seek advice to ensure they understand the options available and the implications for them and the Beneficiaries before they decide how to deal with the bond after your death.

#### WHAT HAPPENS TO THE 'INCOME'?

On your death, your regular 'income' payments will stop until we receive instructions from your Trustees as to how they wish to proceed. If your Trust is an Absolute Trust, and the Beneficiary is over 18 and of sound mind, this will involve discussions with the Beneficiary(ies), as at this point they have the right to call in the Trust fund.

Under a Discretionary Trust, the Trustees may decide to continue to take withdrawals under the 5% annual tax-deferred entitlement and will only be taxed on chargeable gains, which will be subject to income tax once they have used up this entitlement. The entitlement is against the bond itself, so any 'income' payments already made to you will be included in the overall entitlement. Your Trustees can continue to use this entitlement, until the time they wish to surrender individual segments or the entire bond.

#### FULL SURRENDER OR PART-SURRENDER

The bond can continue for up to 99 years, providing there is still sufficient value left in the bond. The Trustees may decide to fully surrender the bond or individual segments, as well as take withdrawals, in order to pay proceeds to the Beneficiaries.

Who pays the tax, what tax is payable and whether or not the Trustees have any discretion as to who receives the proceeds, depends on how the proceeds are taken and the type of Trust chosen.

Refer to the 'What are the UK Inheritance Tax Implications?' and 'What are the UK Income Tax Implications?' sections of this document for further information on how the bond is taxed and who may be liable to pay the tax.



This section is mentioned in your **Family Legacy Bond Key Features Document**.

# WHAT ARE THE UK INHERITANCE TAX IMPLICATIONS?

## THE 'DISCOUNT'

When the bond is established it is split into two notional parts. The Grantee's Fund (or 'discount') represents the estimated present value of the withdrawals that will be paid to you from the Trust. This value is immediately removed from your estate for IHT purposes.

## THE 'GIFT'

The remaining amount after deducting the discount value is known as the Residuary Fund. This is your gift into Trust for IHT purposes. Note the value of any 'income' actually paid to you will still be within your estate for IHT purposes if not spent or gifted. If you survive for seven years after making the gift, it will no longer be accountable in your estate for IHT.

In the unfortunate event that you do not survive for seven years, depending on when death occurs, the size of the gift and what other gifts you have made, the IHT payable on the gift may be reduced by:

- › taper relief.
- › any transferable nil rate band (NRB) allowance available from your spouse or civil partner (if they have predeceased you).

The gift value is not affected by future withdrawals or investment performance. This means that any growth on the bond is outside of your estate. However, it also means that a combination of your withdrawals and poor investment performance could lead to a situation where the actual value of the bond is lower than the value of your gift.

If the Family Legacy Bond is set up 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 it is 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 in this event.

## CERTIFICATE OF VALUATION

We issue a Certificate of Valuation which accompanies the Policy documentation and provides the value of the Residuary Fund (the 'gift'), or in the case of joint applications each applicant's Residuary Fund. This value depends on your state of health, age or 'rated age' and the investment yields applicable when the bond is taken out. HMRC reserves the right to examine any individual value and this may lead to a difference in the IHT assessment.



This section is mentioned in your **Family Legacy Bond Key Features Document**.



## ABSOLUTE TRUST

Under the Absolute Trust, the gift is a Potentially Exempt Transfer (PET). Provided you survive for at least seven years after setting up the Trust, this PET is totally free of IHT.

Beneficiaries of the 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. This will affect your IHT planning and you should therefore discuss this with your financial adviser before appointing any absolute Beneficiaries.

## DISCRETIONARY TRUST

Under the Discretionary Trust, the gift 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 purposes.

You should be aware that Discretionary Trusts are subject to the following IHT charges:

- › An immediate entry tax charge at the lifetime rate of 20% is payable on the amount of the CLT if, when added to other CLT's made in the previous seven years, it exceeds the NRB (£325,000 2023/24). This rate is grossed up to 25% where, as with the Family Legacy Bond, the charge is paid by the Settlor not the Trust fund.
- › A periodic charge if the value of the Trust fund at each 10 year anniversary exceeds the NRB at that time. Your Trustees will also be required to report the Trust at this time to HMRC if the Trust fund exceeds 80% of the NRB.
- › A potential exit charge may also be payable when capital is withdrawn from the Trust.



You should discuss the likelihood of these additional IHT charges and possible reporting requirements with your financial adviser.

Your personal representatives cannot insist that the Trustees meet any IHT payable on your estate from the proceeds of the bond.

These notes are based on our interpretation of current law and taxation practice in the UK and the Isle of Man, as at 1 September 2023 which could change in the future and is subject to individual circumstances. These notes also assume that you are UK resident and domiciled. Typically, UK domicile means that your country of origin is considered to be the UK. Normally, this will be based upon the domicile of your father. If you are UK domiciled, your worldwide estate will be subject to UK IHT on death. Domicile is a complex matter and cannot be covered fully in this guide. If you are unsure of your status you should discuss this with your financial adviser.

The tax treatment of the bond for IHT purposes will depend on whether you have chosen the Absolute Trust or the Discretionary Trust.

# WHAT ARE THE UK INCOME TAX IMPLICATIONS?

## TAX ON THE WITHDRAWALS

Once you have set up the bond, the level of withdrawals cannot be changed during your lifetime.

For each investment made, UK tax residents are currently entitled to withdraw 5% of the original investment amount each Policy year for 20 years (i.e. up to 100% of the original investment amount) and defer any income tax payable. If the full 5% entitlement is not taken in any Policy year, the unused amount is carried forward for use in future years.

If, at the end of any Policy year, withdrawals from the bond exceed the cumulative 5% entitlement, the excess will be a chargeable gain and may be liable to income tax, depending on your personal circumstances.

## TAX ON SURRENDERS

Our bonds are comprised of a number of identical Policies, known as segments. When one or more of these segments are surrendered, or the bond is surrendered in full, an income tax liability may arise in respect of any overall gain (or growth). This is referred to as a chargeable gain.

Once you have set up the Trust, the bond (or any individual Policy segments) cannot be surrendered during your lifetime.

The favourable tax environment on the Isle of Man means that income and capital gains on investments which Utmost International Isle of Man Limited holds on behalf of investors are not locally taxed. The only tax to which the funds may be liable is Withholding Tax. This is a non-reclaimable tax which is deducted at source.

## TOP SLICING RELIEF

Top slicing relief is used to reduce any potential higher or additional rate tax liability. This type of relief may be available to individuals in respect of chargeable gains arising from withdrawals and/or surrenders. However, top slicing relief is not available if the Trustees are liable to the tax on any chargeable gains. For further advice, speak with your financial adviser.



This section is mentioned in your **Family Legacy Bond Key Features Document**.

## WHO IS LIABLE TO TAX<sup>4</sup>

DISCRETIONARY TRUST		
WHEN THE BOND IS SURRENDERED	WHO IS LIABLE TO PAY THE TAX?	AT WHAT INCOME TAX RATE?
During the UK tax year of your death, if surrendered by your Trustees	Your personal representatives	Your highest marginal rate of income tax
In any later UK tax year, by your UK resident Trustees	The Trustees	The Trust rate of tax, currently 45% <sup>5</sup> (for the 2023/24 tax year)
In any later UK tax year, by Utmost Trustee Solutions Limited (where appointed)	Any UK resident Beneficiaries based on their share of the Trust fund	Each Beneficiary will be taxed at their highest marginal rate of income tax
After the bond has been assigned to your UK resident Beneficiaries by the Trustees	Any UK resident Beneficiaries based on their share of the Trust fund	Each Beneficiary will be taxed at their highest marginal rate of income tax

ABSOLUTE TRUST		
WHEN THE BOND IS SURRENDERED	WHO IS LIABLE TO PAY THE TAX?	AT WHAT INCOME TAX RATE?
At any point after your death whilst still in Trust, or if it has subsequently been assigned to your UK resident Beneficiaries	The UK resident Beneficiaries based on their share of the Trust fund	Each Beneficiary will be taxed at their highest marginal rate of income tax



The tax information discussed in the 'What are the UK Inheritance Tax Implications?' and 'What are the UK Income Tax Implications?' sections of this document are complex and subject to change and therefore the exact position can only be determined by reference to the situation at the time the chargeable gain arises. We would strongly recommend that the Trustees discuss this with a financial adviser.

For further details on how the bond is treated for tax purposes contact your financial adviser.

<sup>4</sup> Where the Trust is funded by a joint settlement, the tax position can be more complicated than detailed in this table. This is because each person's gift into Trust is assessed separately for income tax purposes. This can result in part of the chargeable gain falling at trustee rates of tax and part at individual rates of tax. This is a very complex area and beyond the scope of this document. You should discuss any tax implications with your financial adviser.

<sup>5</sup> The first £1,000 of tax would be subject only to basic rate tax due to the standard rate band for Trusts. Note, this only applies where UK resident Trustees are liable to tax. Note the standard rate band for discretionary Trusts will be removed from April 2024.

# WHAT ARE THE CHARGES?

The standard product charges and fund charges (where known) will be shown in the Personal Illustration that your financial adviser gives you.

## PRODUCT MANAGEMENT CHARGE

The Product Management Charge is an ongoing charge applicable for the lifetime of your bond and is taken quarterly in advance. It covers the establishment and ongoing management of the bond. The first charge is calculated on the size of the premium paid into the bond and subsequent charges are based on the premium paid into the bond or the bond value at that time, whichever is higher.

## CONDITIONAL BOND CHARGES

Conditional charges are those which apply when particular investment arrangements are required.

These include:

- › Payment charges.
- › Dealing account debit interest.
- › Additional single premium charges (after the death of Settlor/Donor only).
- › Valuation charges.

## FUND CHARGES AND INVESTMENT COSTS

Charges for the underlying funds and investment costs will depend on the investments chosen. Your financial adviser can give details of the charges applicable to the investments you have selected. Any initial and annual fund management charges and dealing charges will also be shown in your Personal Illustration.



For full details of our charges see our separate **Family Legacy Bond Charges Guide** available from your financial adviser on request.



Payment charges are based on the bank charges we incur in making the payment and are subject to increase without notice where the charges incurred by us increase.



## CHARGES FOR ADVICE

Charges for advice are agreed between the Settlor / Donor (or Trustees) and the financial adviser. Charges for advice can be paid in the following ways:

DIRECT	<p>You, or the Trustees, can pay any charges for advice directly to the relevant party (outside of the bond) at any time for advice received. You do not need to inform us of any direct payment you make.</p> <p>When making direct adviser charge payments to a financial adviser, it is important to consider who received the advice and who will pay the adviser charge as there are potential tax consequences, if you as the Settlor/ Donor pay for advice provided to the Trustees and vice versa. Contact your financial adviser for more information about the potential tax consequences.</p>
INITIAL ADVISER CHARGE FACILITATED BY UTMOST LIMITED	<p>You, as the Settlor / Donor, can ask us to facilitate an initial adviser charge payment to your financial adviser, before your premium is invested. You will need to complete the adviser charge instruction in the application form.</p> <p>If you request that we pay an initial adviser charge, it will be deducted from the payment you send to us and paid to your financial adviser, with the remaining balance being invested as the premium into the bond. The premium after the deduction of the charge for advice must meet the minimum investment amount of £100,000.</p> <p>We will only make the payment of the initial charge to your financial adviser once the application and any supporting documentation has been fully accepted by us. No interest will be paid on any charges for advice being facilitated by us.</p>



This section is mentioned in your **Family Legacy Bond Key Features Document**.

# APPLYING FOR THE FAMILY LEGACY BOND

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Before applying for the Family Legacy Bond ensure you have spoken to your financial adviser, and that they have answered any questions you may have.

Ensure that your financial adviser has given you the **Family Legacy Bond Key Features Document**, any applicable disclosure documents, **Personal Illustration, Charges Guide** and the **Fund List and Fund Specific Risks Document**.

Once you have decided to invest in the Family Legacy Bond the following steps should be taken:

- › Choose your investment amount, initial fund choices and the level and frequency of your fixed, regular withdrawals.
- › Decide which Trust option best suits your circumstances and tax position and who you will appoint as Trustees.
- › Complete the standard application pack with your financial adviser and a separate Trust deed:
  - If you would like to appoint Utmost Trustee Solutions Limited as your professional trustee you will need to complete the **Application Form for Applicants Appointing Utmost Trustee Solutions Limited**.
  - Ensure the Initial Adviser Charge section within the application form is completed if you would like us to facilitate the payment of an initial adviser charge.
- › In the application form you will be required to complete a health-related questionnaire. The application form will also require you to sign a declaration giving consent for Utmost International Isle of Man Limited to contact your doctor to request a General Practitioner's Report (GPR), which is needed to underwrite the bond.
- › Ensure that your Trustees complete a **Tax Information Exchange Pack for Entities**, which is available from your financial adviser or from us on request.
- › Once your financial adviser has returned the completed application pack to us it will then be processed by our team, who will also:
  - Contact your doctor to request a detailed GPR. This information will be sent by your doctor directly to the underwriters and will not be seen by unauthorised persons.
  - Extract the health related questionnaire from the application form and forward this to our underwriters.
- › We will notify your adviser if your application has been either successful or declined.
- › Once the underwriting process has been completed, all necessary documentation has been received and your premium has cleared in our account, the bond will be issued. Due to current low interest rates Utmost International Isle of Man Limited does not pay credit interest on premiums received prior to bond issue.



If the information in the application and GPR is insufficient for us to estimate your life expectancy, we may request more information. This may require further assessment of your medical health and a medical examination.

Acceptance terms for the bond are valid for three months from receipt of the underwriting terms. If the investment is not made during that time we will need confirmation from you that your state of health has not changed. To do this you will need to complete a **Declaration of Health Form** (available from your financial adviser) before the bond can proceed. This form will be assessed by our underwriters and, if necessary, further information will be requested from your doctor, which may delay the bond being issued.

# SOME IMPORTANT INFORMATION

## CANCELLATION

You currently have 30 days to cancel the bond. The 30 days begin on the day you receive the **Your Right to Change Your Mind Form**. If, for any reason, you decide that you do not want to take out the bond, just return the form to us with your original Policy documents, within 30 days to the address on the form and the amount we will give you back is calculated as described below.

The calculations will be based on the price on the next available dealing date from when the form is received.

If you exercise your right to cancel the bond during the 30 day cancellation period, we will not return any amount relating to adviser charges already paid to your adviser. If necessary, you will need to reclaim any refundable adviser charge payments directly from your adviser.

Any repayment due to you on cancellation, will be paid as soon as possible after the assets linked to your bond have been cashed in.

If you choose to link your Policy to assets which cannot be cashed in easily, such as fixed-term deposits or funds with infrequent dealing days, then whilst you may exercise your right to cancel, it may be some considerable time before the asset can be sold or redeemed and your money returned to you.

## COMPLAINTS

If, for any reason, you are not satisfied with our service then address your complaint to:

**Post:** Head of Customer Experience  
Utmost International Isle of Man Limited  
King Edward Bay House  
King Edward Road  
Onchan  
Isle of Man  
IM99 1NU  
British Isles



The amount you will get back may be less than the initial investment. If the value of the investment falls before we receive your 'Your Right to Change Your Mind Form' form, an amount equal to the fall in value will be deducted from any refund you receive. This deduction will be in addition to any adviser charges we have paid on your behalf. In calculating the fall in value we will include any third party costs we have incurred.

If the value of the investment has increased you will only get back the amount of your initial investment, minus any adviser charge paid. If you do not exercise your right to cancel within the 30 days cancellation period your bond will continue in accordance with the Policy terms and conditions.



This section is mentioned in your **Family Legacy Bond Key Features Document**.

## OMBUDSMAN

We will do everything in our power to resolve a complaint and in many cases can rectify the issue directly with the policyholder. However, on occasion, the policyholder may wish to deal with an outside mediator to obtain a resolution. The Isle of Man has a free Financial Services Ombudsman Scheme for customers with a complaint against an Isle of Man financial services firm that the firm has not been able to resolve.

The Ombudsman Scheme is specifically aimed at individuals so complaints from companies (including Corporate Trustees) are excluded.

For further information on the Ombudsman Scheme visit <https://www.gov.im/about-the-government/statutory-boards/isle-of-man-office-of-fair-trading/financial-services-ombudsman-scheme/explanatory-guide/>

Making a complaint will not affect your right to take legal proceedings during mediation. However, if you select to have your case referred to the Ombudsman then, other than on a point of law, their decision is binding on you and Utmost International Isle of Man Limited.

### The Ombudsman's contact details are:

**Post:** The Financial Services  
Ombudsman Scheme  
for the Isle of Man  
Thie Slieau Whallian  
Foxdale Road  
St John's  
Isle of Man  
IM4 3AS  
British Isles

**Tel:** +44 (0)1624 686 500



If you appoint Utmost Trustee Solutions Limited as your trustee, there will be no right of referral to the Ombudsman Scheme.

## COMPENSATION

We are covered by the Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991 (the Isle of Man Scheme). If we were unable to meet our obligations, the policyholder will be entitled to claim up to 90% of our liabilities to them as compensation from the Isle of Man Scheme at that time.

The Isle of Man Scheme may reduce any claim if the policyholder is protected under any other compensation scheme. In common with all Isle of Man life insurers, if there is a call on the Scheme, by any Isle of Man based life insurance company participating in the Scheme, we may be required to pay a levy of up to 2% of our policyholder funds to the Scheme. Where such a levy is made, the value of your bond is likely to be reduced by an equivalent percentage.



The underlying assets are held in our name. Therefore the policyholder will not be eligible to take advantage of any investor compensation scheme arrangements which may cover the underlying fund manager or deposit taker. If the underlying fund manager or deposit taker is unable to meet its obligations to us, the policyholder may lose some or all of the investment.

# NEXT STEPS

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Your financial adviser will be able to tell you more about:

- › Utmost International Isle of Man Limited.
- › The funds available.
- › The tax implications specific to your circumstances.
- › Charges that may apply to the bond.

Contact your financial adviser:

- › If you have a question.
- › If you would like more information.
- › If you would like a revised Personal Illustration.










# CONTACT US

To find out more about the  
Family Legacy Bond, contact us on:

 +44 (0)1624 643 345

 [customersupport@utmostwealth.com](mailto:customersupport@utmostwealth.com)

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King Edward Road  
Onchan  
Isle of Man  
IM99 1NU  
British Isles

 [www.utmostinternational.com](http://www.utmostinternational.com)

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[www.utmostinternational.com](http://www.utmostinternational.com)

Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

Utmost International Isle of Man Limited is registered in the Isle of Man under number 024916C.  
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The rules made under the Financial Services and Markets Act 2000 (as amended) for the protection of retail clients in the UK do not apply.

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