

COULD THE LIFESTYLE TRUST BE THE RIGHT SOLUTION FOR YOU?

The following scenarios show how the Lifestyle Trust can be considered as part of wealth planning. Please read alongside the Lifestyle Trust brochure and Frequently Asked Questions, available from your financial adviser.

All references to Utmost Wealth Solutions in this guide mean Utmost International Isle of Man Limited or Utmost PanEurope dac. The Lifestyle Trust is available for use with Utmost Wealth Solutions bonds including those formerly sold by Quilter International.

SCENARIO ONE

Mr Smith, a semi-retired 68 year old, has an annuity providing fixed income on a monthly basis and works part-time.

ASSETS

His main asset is his house, valued at £750,000, owned outright. He also has investments totalling £350,000.

ANNUAL INCOME

£6,500 from his part time job.
£7,300 State Pension.
£20,000 from his annuity.

PLANNING AREAS

Mr Smith is worried about the inheritance tax (IHT) bill on his estate.

He wants to be able to supplement his income during retirement for larger purchases.

Mr Smith would like to invest £325,000 and keep £25,000 on deposit.

ADVISER RECOMMENDATION

Having considered Mr Smith's needs, his financial adviser recommends that he invests into an Utmost Wealth Solutions bond subject to a Lifestyle Trust.

The trust does not oblige him to specify the names of his beneficiaries at the outset, but he can complete a letter of wishes to his trustees confirming his intention as to who he would like to benefit.

The gift into trust is £325,000, which is the same as the current inheritance tax nil-rate band (2025/26) and therefore there is no immediate tax charge to IHT. Any growth within the bond will be immediately outside his estate for IHT purposes. If Mr Smith lives for seven years, there will be no further IHT charge on his estate in respect of the £325,000 gift on death.

The bond, which was taken out on 1 November 2025, is segmented into 325 policies worth £1,000 each. Mr Smith has specified that he would probably like access to 10 policies every other year. He believes the extra £10,000 (10 policies with initial premium of £1,000), plus any growth, will cover any additional income requirements he might have.

These policies are held by the trustees in a series of pots, known as 'Policy Funds'. Mr. Smith specifies on the trust documentation which Policy Funds he would like to be paid out to him, and when (the 'Year of Entitlement') as shown below.

POLICY NUMBER(S)	TOTAL NUMBER OF POLICIES	YEAR OF ENTITLEMENT	POLICY FUND
1-10	10	2027	A
11-20	10	2029	B
21-30	10	2031	C
31-40	10	2033	D
41-50	10	2035	E
51-60	10	2037	F
61-70	10	2039	G
And so on for subsequent years			

Mr Smith becomes entitled to Policy Fund A (which contains 10 policies) on the anniversary date of the policy, 1 November 2027.

When the Policy Fund is surrendered by the trustees and the proceeds returned to Mr Smith, there are no immediate IHT consequences, however, the value of the Policy Fund will form part of his estate. If the surrender realises a gain, a chargeable event certificate will be issued by Utmost Wealth Solutions and there may be an income tax liability when the gain is added to Mr Smith's other income.

If Mr Smith decides, at a later date, that he does not require a Policy Fund to be paid to him he can defer it by writing to the trustees, requesting deferral of the Policy Fund until a later date. This deferral must be made before the anniversary date.

Assuming Mr Smith dies aged 83, taking into account the value of the Policy Funds which have also been paid to Mr Smith over the last 15 years, the value of the remaining segments in the bond is approximately £450,000. So, compared to Mr Smith not doing any IHT planning, he has saved $£450,000 \times 40\% = £180,000$.

SCENARIO TWO

Mrs Lee is a retired 73 year old. She has one daughter and two grandchildren who are due to start private school in a few years' time.

ASSETS

Her main asset is her house, valued at £1,000,000, owned outright.

She also has an amount of £200,000 on deposit with several banks.

ANNUAL INCOME

£20,000 retirement income.

PLANNING AREAS

Mrs Lee is worried about inheritance tax (IHT) on her deposit holdings.

She wants to gift some money for the benefit of her family but also to retain some access to emergency funds and likes the idea of contributing towards her grandchildren's school fees as and when due.

Mrs Lee would like to invest £150,000 and keep £50,000 on deposit.

ADVISER RECOMMENDATION

Her financial adviser recommends that she invests into an Utmost Wealth Solutions bond subject to a Lifestyle Trust. The trust includes classes of beneficiaries which cover children and grandchildren so there is no need to decide now how she would like this split.

The gift into trust of £150,000 is below the current nil-rate band (£325,000 2025/26) therefore there is no immediate charge to IHT. The growth will be immediately outside her estate for IHT purposes and, if she lives for seven years, there will be no further IHT charge on her estate in respect of the £150,000 gift.

The bond, which was taken out on 1 November 2025, is segmented into 1,000 policies worth £150 each. Mrs Lee has specified how she would like to access the policies. She has decided that she would like to withdraw some money every other year to provide some additional capital for her and to help her daughter pay for the school fees.

These policies are held by the trustees in a series of pots, known as 'Policy Funds'. Mrs Lee specifies on the trust documentation which Policy Funds she would like to be paid out to her, and when (the 'Year of Entitlement') as shown below.

When the Policy Funds are returned to Mrs Lee, there are no immediate IHT consequences, however, the value of each Policy Fund is considered within her estate for IHT purposes. When Mrs Lee spends the capital on herself, perhaps for a holiday or weekend breaks, the money will no longer be included within her estate. She also decides to use her annual IHT exemption to contribute towards her grandchildren's school fees.

POLICY NUMBER(S)	TOTAL NUMBER OF POLICIES	YEAR OF ENTITLEMENT	POLICY FUND
1-40	40	2027	A
41-80	40	2029	B
81-120	40	2031	C
121-160	40	2033	D
161-200	40	2035	E
201-240	40	2037	F
241-250	10	2039	G
And so on for subsequent years			

Assuming Mrs Lee dies when she is 86, taking into account the value of the Policy Funds which have also been paid to Mrs Lee, the value of the remaining segments in the bond is approximately £180,000. So, compared to Mrs Lee not doing any IHT planning, she has saved $£180,000 \times 40\% = £72,000$.

The trustees are now free to distribute the trust fund to the potential beneficiaries at their discretion.

SCENARIO THREE

Mr Warner is a retired 70 year old. He is divorced and has two independent children. He has sufficient income in retirement but wants to enjoy several extravagant holidays every few years before he is unable to travel long distances.

ASSETS

His main asset is his property portfolio which consists of five properties totalling £1,250,000.

He also has investments totalling £300,000.

ANNUAL INCOME

He has a final salary pension scheme which pays £30,000 per annum but will escalate with Consumer Price Index (CPI).

He also receives income from his property portfolio which tops up his income to a level which he is happy with.

PLANNING AREAS

Mr Warner is worried about the IHT bill on his estate.

He doesn't want to fully gift any of his property as he requires the income from it.

He wants access to some money to pay for holidays.

Mr Warner would like to invest £250,000 and keep £50,000 on deposit.

ADVISER RECOMMENDATION

His financial adviser recommends that he invests into an Utmost Wealth Solutions bond subject to a Lifestyle Trust as it meets his objectives of reducing his estate whilst providing access to capital and flexibility over who can potentially benefit.

The trust includes classes of beneficiaries which cover children, amongst others so there is no need to decide now how he would like this split which allows for the unlikely scenario of one of his children predeceasing him.

The gift into trust of £250,000 is below the current nil-rate band therefore there is no immediate charge to IHT. Any growth will be immediately outside his estate for IHT purposes. If he lives for seven years, there will be no further IHT charge on his estate in respect of the £250,000 gift.

The bond, which was taken out on 1 November 2025, is segmented into 500 policies, worth £500 each. Mr Warner has specified how he would like access to the policies. He has decided that he would like to withdraw enough to cover a holiday every three years. These policies are held by the trustees in a series of pots, known as 'Policy Funds'. Mr Warner specifies on the trust documentation which Policy Funds he would like to be paid out to him, and when (the 'Year of Entitlement') as shown in the table below. He has planned for the Policy Funds to potentially cover four holidays, with the option to defer the fourth payment entirely if he doesn't require it.

POLICY NUMBER(S)	TOTAL NUMBER OF POLICIES	YEAR OF ENTITLEMENT	POLICY FUND
1-30	30	2028	A
31-60	30	2031	B
61-90	30	2034	C
91-120	30	2037	D

When the Policy Funds are returned to Mr Warner, there are no IHT consequences, however, the value of each Policy Fund is considered within his estate for IHT purposes. When Mr Warner uses the money to pay for his holiday, the money will no longer be included within his estate for IHT purposes.

In November 2030, Mr Warner receives an offer on one of his investment properties which is too good to refuse so decides to sell. He believes that he can do without the income produced from this property and decides to add the proceeds, £94,000, to his Lifestyle Trust. At this time, his bond has 470 policies. Mr Warner receives advice in relation to the taxation consequences of adding more property to the trust, including those surrounding IHT in respect to the trust.

Policy Fund A has passed the entitlement date and he has taken the proceeds to pay for his holiday. As a result £200 is added to each of the remaining policies (£94,000/470).

Assuming Mr Warner dies aged 85, taking into account the value of the Policy Funds which have also been paid to Mr Warner over the last 15 years, the value of the remaining investment in this scenario for example purposes is:

£468,000, including growth. So, compared to Mr Warner not doing any IHT planning, he has saved £468,000 x 40% = £187,000.

SCENARIO FOUR

Mrs Stone is approaching retirement (63). She is married and has one independent child. As a couple, Mr and Mrs Stone are considering how they might reduce their IHT liability but have flexibility to access capital in the future.

ASSETS

Their main asset is their joint property which is worth £850,000. They also have some cash available for investment of £300,000.

ANNUAL INCOME

Mrs Stone is a basic rate tax payer and Mr Stone is a higher rate tax payer.

PLANNING AREAS

Mrs Stone wants to reduce her IHT liability.

She would like to make provisions for their child as well as any future grandchildren.

Along with her husband, she requires some access to capital in the future as they are both still in full-time work and are unsure of their retirement income needs.

Mrs Stone would like to invest £275,000 and keep £25,000 on deposit.

ADVISER RECOMMENDATION

Their financial adviser recommends they invest into an Utmost Wealth Solutions bond subject to a Lifestyle Trust in the name of Mrs Stone to take advantage of her lower income tax rate should any chargeable gains be made. This will allow them to earmark some money for their descendants whilst potentially retaining access to some capital.

There is no immediate charge to IHT and the growth will be immediately outside the estate for IHT purposes. If she lives for seven years, there will be no further IHT charge on her estate in respect of the £275,000 gift.

The bond, which was taken out on 1 November 2025, is segmented into 1,000 policies, worth £275 each.

These policies are held by the trustees in a series of pots, known as 'Policy Funds'. Mrs. Stone specifies on the trust documentation which Policy Funds she would like to be paid out to her, and when (the 'Year of Entitlement') as shown in the table. She has decided that she would like the ability to access six policies every year and if this turns out to be excessive she understands that she can make a change to the 'Year of Entitlement' on any of the Policy Funds. For extra flexibility, she also splits each year's entitlement into two.

POLICY NUMBER(S)	TOTAL NUMBER OF POLICIES	YEAR OF ENTITLEMENT	POLICY FUND
1-3	3	2026	A
4-6	3	2026	B
7-9	3	2027	C
10-12	3	2027	D
13-15	3	2028	E
16-18	3	2028	F

And so on for subsequent years

When the Policy Funds are returned to Mrs Stone, there are no IHT consequences however the value of each Policy Fund is within her estate for IHT purposes.

Assuming Mrs Stone dies 20 years after setting up the Lifestyle Trust, she has lived more than seven years since creating the trust. The bond is now held, for example purposes, as follows:

- › **102 policies** have been surrendered and paid to Mrs Stone, before she died. This represented the first 17 Policy Funds following the trust being created.
- › **18 policies (policy numbers 103-120)** have reverted to Mrs Stone but have not been surrendered. They are held within the trust for the benefit of Mrs Stone and will form part of her estate.
- › **880 policies (121-1000)** are outside of her estate and the trustees can use the trust fund for the beneficiaries.

TALK TO YOUR FINANCIAL ADVISER ABOUT THE LIFESTYLE TRUST

Your financial adviser will be able to explain whether a trust is appropriate for your needs and which one is the most suitable.

These case studies are fictional and used purely to illustrate possible real-life scenarios.

Where necessary, the Trustees will balance the settlor's reversionary rights to the Policy Funds with any needs of the beneficiaries. In each example the trustees have the power to defeat the entitlement to the settlor's Policy Fund in favour of a beneficiary. The settlor may provide the Trustees with a letter of wishes outlining their wishes in this regards although this is not legally binding.

Your investment may fall or rise in value and you may not get back what you put in.

Growth figures used are approximately 4% and do not include bond charges.

This information is based on our interpretation of the law and HM Revenue & Customs practice as at May 2025. While we believe this interpretation is correct, we cannot guarantee it. Tax relief and the tax treatment of investment funds may change in the future. The value of any tax relief will depend on the investor's financial circumstances.

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