

WEALTH PASSPORT - UK HYBRID POLICY

SOLUTIONS FOR CURRENT AND FUTURE US TAXPAYERS

UK HYBRID POLICY

A WEALTH *of* DIFFERENCE

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WEALTH SOLUTIONS



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

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UTMOST LUXEMBOURG S.A.

In today's world, there are a growing number of issues facing high net worth individuals and families: the opportunity to live and work in multiple countries, diverse global investment alternatives, and an everchanging regulatory environment. For US taxpayers (e.g., US citizens, green card holders, or persons who meet the "substantial presence test") living and working abroad, the financial world can be especially complex, creating specific needs and challenges. Within this, however, lies an opportunity that we are pleased to introduce to you.

Further, because the United States taxes its citizens irrespective of where they reside, US taxpayers living abroad must comply with the tax regulations of their country of residence as well as the complex US tax regime.

Complying with two different sets of rules, which are not usually compatible, is a challenge for financial and tax planners. For example, while US tax treaties generally prevent double taxation, they offer no assistance in ensuring compliance for common US tax planning techniques and vehicles under the tax rules of the taxpayer's foreign country of residence. As a result, banks and other financial services providers are often reluctant to take on US taxpayers as clients.

Similarly, UK residents moving temporarily to the United States face difficulties finding wealth solutions that are effective in the United States while retaining their advantages upon the wealth owner's return to the UK.

Utmost Luxembourg S.A. is uniquely placed to solve these issues. We offer a wide range of solutions for today's mobile clients. The Wealth Passport - UK Hybrid Policy (the "Wealth Passport") combines key elements of two core solutions to create a robust solution especially designed to meet the needs of clients who must comply with both US and UK tax regulations.

The Wealth Passport allows US taxpayers living in the UK and UK residents temporarily moving to the US to take advantage of a widely accepted US wealth planning solution, while enjoying the benefits of a UK-compliant solution. The combination offers broader investment capabilities and reduced reporting, among other benefits.

OUR INTERNATIONAL CAPABILITY

ABOUT UTMOST WEALTH SOLUTIONS

Utmost Wealth Solutions has a clear focus on being a leader in the provision of insurance-based wealth solutions for the international affluent, high net worth and ultra-high net worth market.

We have offices in the well-regulated jurisdictions of Ireland, the Isle of Man, Luxembourg and Guernsey, as well as branches or offices in Hong Kong, Singapore, Dubai, Italy, Spain, France, Belgium and Switzerland. We provide insurance-based wealth solutions for global clients. Our solutions are based on unit-linked policies, which can be tax efficient and provide investment flexibility.

We strive to offer outstanding service and focused expertise to our clients and their advisers who are seeking intelligent and efficient ways to manage and pass on their wealth.

As at 31 December 2024, Utmost Wealth Solutions had £103.5bn (€125bn) in Assets under Administration held on behalf of 200,000 policyholders.



WEALTH PASSPORT - UK HYBRID POLICY

CLIENT PROFILE

For current and prospective US taxpayers (e.g. US citizens, green card holders, and persons who meet the “substantial presence test”) living and working in the United Kingdom, tax compliance can be complicated and expensive. US taxpayers need to file annual federal income tax returns and are liable for tax on their worldwide income. In addition, they will need to report their non-US financial accounts on informational returns, such as FinCEN 114 (commonly referred to as “FBAR”), IRS Form 8938 and other reports that may be required for specific types of foreign investments. US taxpayers resident in the UK also need to submit UK returns for UK income and gains (or worldwide income and gains if the taxpayer is taxed on an “arising” basis).

Following the changes in The Finance Act 2025, new arrivals to the UK should not pay UK tax on arising Foreign Income and Gains (FIGs) for the first four years of UK tax residence, provided they have not been UK tax resident in any of the 10 consecutive years before their arrival. Thereafter, individuals

will be subject to tax in the same manner as all other tax payers.

Individuals who relocate to the United States will have similar US tax reporting considerations if they acquire US tax resident status as a result of their move. In addition, their investment strategy will often need to be reviewed and adjusted to maximise investment growth, while minimizing tax and reporting obligations.

This document is designed to provide an overview of the benefits of effective planning for dual US and UK taxpayers using the Wealth Passport. It is based on our understanding of current US and UK tax legislation. There can be no guarantee as to the substance and effect of any revisions in tax laws or any changes in interpretation of tax laws.

The Wealth Passport - UK Hybrid Policy has been developed to provide an insurance/annuity based investment for individuals seeking tax deferral in both the United States and the United Kingdom.

Premiums invested in the Policy benefit from tax free growth until such time as funds are withdrawn or the annuity payments commence. In this case, a policyholder may realise a number of benefits (under current tax legislation) such as:

DEFERRAL OF TAX ON INCOME AND GAINS IN THE UK AND THE US

Premiums invested in the Hybrid Policy can grow tax deferred until funds are withdrawn or annuity payments begin.

BROADER INVESTMENT UNIVERSE

The Policy can provide a more efficient investment medium by offering access to a broader investment universe than would be available to an individual direct investor.

SIMPLIFIED TAX REPORTING

The UK Hybrid Policy offers tax deferral during the accumulation phase. No UK tax reporting of the in-force policy is required if withdrawals are not taken. For US tax purposes, a policyholder only needs to report the policy - not the underlying accounts and assets.

PRE-IMMIGRATION PLANNING

In the case of pre-immigration planning, investment income and growth from assets held by the Policy benefit from tax deferral. The policyholder is only taxed when benefits emerge, allowing the Policyholder to move to the United States and return to the UK without the need to change the Policy.

ASSET PROTECTION

Holders of policies issued by Utmost Luxembourg S.A. are protected by Luxembourg law, including Luxembourg policyholder protection rules.

MAINTENANCE OF TRUSTED ADVISOR RELATIONSHIPS

Existing trusted advisor relationships may be maintained.

CASE STUDY¹ 1

Mr Smith is a US citizen, married with two children. He has been working and living in London for 11 years. He has a USD 5 million portfolio, consisting mainly of cash.

Objectives

Mr Smith has been living in the UK for the last 11 years and therefore does not qualify for the FIG regime. He is currently paying UK and US income tax on his investment portfolio, but while he benefits from the provisions of the US/UK double tax treaty, he still has to file tax returns in both countries and cannot invest with his preferred non US fund managers in a tax efficient way to maximise his returns. He would like a solution that offers access to hedge and commodity funds to maximise the investment return and that offers the ability to defer tax in both the US and the UK.

Solution

Mr Smith invests in a Wealth Passport –UK Hybrid Policy.

Result

The Discretionary Manager appointed to manage the UK Hybrid Policy can invest in a wider range of assets to maximise the potential investment return.

No US or UK tax (other than any non-reclaimable withholding tax) is paid on any investment growth or income generated within the Policy.

Withdrawals can be taken from the Policy if needed, however, this may be a taxable event for US purposes. It may also be a tax event for UK purposes if above the 5% allowance.

US tax may be partially or totally offset under the UK/US tax treaty. However, Mr Smith is still subject to certain annual US reporting obligations.

CASE STUDY 2

Mr Jones is a long term resident of the UK. A successful entrepreneur, he recently sold his UK software business to a company resident in the US. He is to spend at least 5 years in the United States working for the company as part of the sale agreement.

Objectives

Mr Jones received £10m from the sale of his company shares. Mr Jones would like to invest the funds in a structure that will enable him to benefit from tax deferral. This will also give him access to a wide range of investment options.

Solution

A Wealth Passport – UK Hybrid Policy

Result

A discretionary manager is appointed to manage the assets of the Policy. From an investment perspective, there can be exposure to a wide range of assets and asset classes to maximise the investment return.

The Policy offers tax deferral as it is taxed as an annuity in the US and as a life Policy in the UK.

When Mr. Jones eventually returns to the UK, he can benefit from Time Apportionment Relief reducing the Policy gain for UK tax purposes.

¹ The present fictional case studies are drafted with the intention to reflect reasonably analogous customer and market scenarios and are intended for informational purposes only, not customer advice. Utmost Luxembourg S.A. is not responsible for the accuracy, completeness, reliability or usefulness of any content or opinions reflected therein, and makes no warranty that such information will assure a successful outcome.

A VALUABLE WEALTH PLANNING SOLUTION

Our solutions are designed to provide valuable benefits to support succession planning, wealth protection and fiscal efficiency for wealthy clients and their families, including:

ASSET PROTECTION

The policyholder's assets are allocated across underlying investments held in a dedicated account opened by the insurer at an independent custodian. The custodian is required to ring-fence the securities underlying the policy, keeping them segregated from the company's general accounts, and is bound by law to protect the assets. Policy assets become the sole property of the insurance company, which appoints an independent investment manager to execute the chosen investment strategy. Investment risk linked to the performance of the underlying investments is borne by the policyholder.

INDEPENDENCE & FLEXIBILITY

Our open architecture approach allows access to a wide range of strategies through regulated third party asset managers and banks.

SUCCESSION PLANNING

Policies can be integrated into current structures to optimize existing succession planning. Beneficiary nominations can be made to complement overall estate planning.

TAX EFFICIENCY

Legally recognized and tax effective in the countries in which we operate, our policies offer the benefit of long-term tax deferral until they mature or are surrendered (partially or totally).

INTERNATIONAL SOLUTION

Many jurisdictions have firmly embedded statutory frameworks that recognize the use of life insurance and annuity structures for estate planning purposes. Given the geographical breadth of our businesses and the deep technical expertise that we have developed to match it, we are able to cater to increasingly mobile investors and wealthy families with cross-border connections, who seek a stable, long-term, customized insurance solution.

IMPORTANT

This document is based on Utmost Luxembourg's understanding of current taxation legislation as at August 2025. The Policy has been designed to meet certain US tax requirements, and its effectiveness depends on interpretation of those requirements. Tax treatment depends on individual circumstances and may be subject to change in the future. The value of the Policy may go down as well as up and, in the event of a withdrawal, surrender or death claim, the policyholder may realise less than his or her original investments. The Policy should be evaluated in conjunction with appropriate independent professional advice obtained from a suitable and qualified source.

DISCLAIMER

The value of policies may fluctuate, increasing or decreasing over time. In cases of withdrawal, encashment or death claims, policyholders may receive less than their original investments. Policy values are also subject to exchange rate fluctuations.

Tax treatment varies depending on individual client circumstances and may be subject to future changes.

Holders of policies issued by Utmost Luxembourg S.A. are protected by Luxembourg law, including Luxembourg policyholder protection rules. **UK resident holders of policies issued by Utmost Luxembourg S.A. will not be protected by the UK Financial Services Compensation Scheme if Utmost Luxembourg S.A. becomes unable to meet its liabilities to them.**

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The tax rate overview is indicative and directed at high-net-worth investors. The tax rates are therefore those levied on substantial portfolios. These rates and tax bases are subject to change.

All information in this document reflects Utmost Luxembourg S.A.'s understanding of Luxembourg law and the laws of any other jurisdictions referred to herein at the time of production.

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Registered office address: 4, rue Lou Hemmer, L-1748 Luxembourg, Grand-Duché de Luxembourg

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