

Product Descriptions



This is a summary only. If you have any questions or would like advice on your personal situation, please contact us.

When you invest money, you usually do so via an investment or pension 'product'. These are defined in UK law and regulation and facilitate the investment and determine how it will be taxed.

Below are descriptions of some of the common investment and pension products.

1. General Investment Account (Personal Portfolio)

A General Investment Account is the name given to the investment vehicle which can hold all assets not allocated to a specific tax wrapper and are therefore subject to normal UK tax.

GIAs offer the facility to obtain a widespread of investment risk within a professionally managed environment and can be held in single or joint names. There are many types of investments that can be held within a GIA including, amongst others, unit trusts, OEICs, Investment Trusts, ETFs and Structured Products.

Income tax is payable on dividends and interest distributions whether the income is withdrawn from the plan or not. Each individual has a dividend allowance and a savings allowance each year and tax is only due if investment income exceeds the allowances available.

Capital gains tax is payable on any capital gains (sale price minus purchase price), however this can be offset against the capital gains tax exempt amount which is £3,000 for 2024/5 tax year.

Risk warnings

Please ensure that you read and fully understand the following risk warnings before proceeding with any recommendations:

- Governments can and do change the rules on tax in respect of investments such as unit trusts/OEICs.
- Income generated from investments held in unit trust/OEICs is variable and is not guaranteed.
- The price of units and the income from them can fall as well as rise.
- The value of this investment is not guaranteed and on encashment you may not get back the full amount invested.
- If upon realisation your total gains (from all sources) less any allowable losses are greater than your annual Capital Gains Tax exempt amount, there will be tax to pay at either 10% (basic rate band), 20% (higher/additional rate band) or a mixture of both rates depending which tax band(s) the gain falls into after adding to total taxable income for the tax year.

2. Flexi Access Drawdown

Drawdown pension is a method of withdrawing benefits from your pension fund without purchasing a lifetime annuity and instead make withdrawals directly from the pension fund.

The main purposes of drawdown pension can be summarised as follows:

- Deferral of annuity purchase, thus avoiding being locked into low annuity rates which may apply at the time of retirement.
- The drawdown pension option enables the policy holder to buy an annuity at a time that is best suited to them and hopefully when annuity rates are more favourable or provides an opportunity to avoid purchasing an annuity altogether where appropriate.
- The option enables investors to retain control over their pension investments and allows them to continue to be invested in the markets.
- It postpones the decision of deciding which type of annuity to lock into e.g. providing a contingent pension for a wife or husband and selecting a level or increasing pension.

With flexi-access drawdown the amount of income that can be taken from the fund is not subject to any specific limits therefore this method offers great flexibility. This can be useful for tax planning or where other sources of income are available.

Tax treatment of income

The provider of your pension plan will deduct tax from any withdrawals you take through the PAYE system and you should be aware that if they do not hold your correct tax code, an emergency code will be used and you may need to reclaim or pay additional tax through your self-assessment tax return or by way of a separate claim.

The income you draw will be taxed as earned/pension income, with tax deducted at source in the tax year in which it is withdrawn. This could mean income tax of up to 45%, depending on your circumstances.

You can structure your income to mitigate liability to personal income tax. By reducing your income in some years, you may be able to avoid a higher rate tax liability.

Critical yield

The critical yield calculation is an attempt to show the investment returns required from a drawdown pension arrangement to match the income that could be provided by a traditional annuity. The critical yield takes into account mortality drag and the additional costs involved in a drawdown pension plan. Crucially, it assumes that throughout the period of withdrawal the underlying annuity interest rate and mortality basis will not change.

The critical yield is an important consideration in deciding whether or not drawdown pension is an appropriate investment vehicle or not. Once established it is then necessary to decide how the funds will be invested to achieve the critical yield.

Generally, if long term income is the requirement, the drawdown pension route will only prove to be more effective in total income terms if the investment return generated is sufficient to cover:

- The investment return on current annuity rates, plus
- Mortality drag, plus
- The additional costs involved in a drawdown pension arrangement as opposed to an annuity

Mortality drag

Annuity providers know that not all annuitants will live as long as expected. The providers use this "mortality gain" to subsidise current annuity rates. Therefore, those clients who die earlier than expected subsidise the remaining annuitants. If you choose an alternative to annuity purchase, such as drawdown pension then you do not benefit from this cross subsidy and effectively take on the "mortality risk" yourself. The longer you delay annuity purchase, the less you will benefit from the cross subsidy when you eventually buy an annuity. This is known as "mortality drag".

Treatment after death

Your beneficiaries can continue to take withdrawals from any remaining drawdown fund on your death (annuity purchase is also an option) or take the remaining fund as a lump sum. If you die before age 75 any income or lump sums taken by your beneficiaries will be tax free.

If you die after age 75, any income or lump sums taken by your beneficiaries will be taxed at the recipient's marginal income tax rate(s).

It is vital to keep your nomination of beneficiaries under regular review

Money purchase annual allowance

Further tax-relievable pension contributions may be made before age 75. However, when you draw taxable income from your flexi-access drawdown plan you will be subject to the £10,000 money purchase annual allowance (MPAA) (tax year 2024/5). Tax-relief is also only available on contributions up to 100% of your UK relevant earnings in any tax year or £2,880 (net) if you have no earnings.

When you first flexibly access your pension, the scheme administrator must provide a statement to you within 31 days.

You must then notify any other schemes that you are an active member of (i.e. where contributions are being paid to a money purchase scheme or you are accruing benefits under a cash balance or hybrid scheme) within 91 days of receiving their statement, so that they're also aware that the money purchase annual allowance will apply.

Drawdown vs an annuity

In each option, you can select to take up to 25% of the fund value as a tax-free lump sum.

Advantages of an annuity	Disadvantages of an annuity
This annuity provides you with a known income which is guaranteed for the rest of your life.	Your income level is set at the commencement of your retirement and cannot be varied to suit your lifestyle.
The income from your pension is protected from inflation if this is selected at outset.	There is no cash in value once the annuity is in force, regardless of any changes to your circumstances.
The costs of providing retirement benefits to you are taken into account when the annuity rate is calculated.	You cannot benefit from higher annuity rates if they go up in the future.
Advantages of drawdown	Disadvantages of drawdown
You can vary your income level as you like.	Your income and capital are not guaranteed, and you are reliant on investment performance throughout retirement.
You can take an income which is higher than that available through an annuity.	You have no protection from inflation.
You can leave your pension fund to anyone you wish on your death.	You should consider receiving ongoing financial advice if you were to transfer, in order to monitor your goals, income levels, sustainability and portfolio. This would require advice fees.

Risk warnings

- Past performance is not a reliable indicator of future returns and there is no guarantee that the new recommended investments will perform at the required level to maintain income and preserve or grow capital.
- Charges will reduce the growth.
- You will be out of the market while the sales and reinvestments take place. During this time, you will not benefit from any positive movements in investment markets.
- Current tax treatment may change in the future.

Please note that the following risk warnings should be read and understood, before proceeding with any recommendation to move your pension into flexi access drawdown:

- Income is not guaranteed from this type of plan and if the amount withdrawn is greater than the growth of the fund, taking into account the plan charges and ongoing fees, the value of the plan *will* go down
- Taking withdrawals in adverse market conditions would have a negative effect on the remaining pension fund and may cause a higher level of erosion of the fund
- Annuity rates could be lower in the future than they are currently and the amount of income that could be bought using this pot could therefore be lower in the future than if you had bought an income today
- Delaying an annuity purchase could:
 - Result in lower income if annuity rates are lower in the future than are currently available
 - Result in your chosen level of income being unsustainable
 - Prevent you from benefiting from 'mortality cross-subsidy' (where individuals dying younger subsidise those living longer). This 'mortality drag' means your fund needs to achieve a higher return to compensate for this.
- Additionally, as your fund remains invested (unlike purchasing an annuity):
 - The charges are normally significantly higher than those within an annuity
 - The growth you receive will need to support the product and advice charges as well as any income you have withdrawn
 - The sequence of investment returns is important – if you experience lower returns in the earlier years, any withdrawals will have a more detrimental effect on the fund's growth
 - The provider will stop paying you an income if there are insufficient funds in your account

Summary Guide

3. ISA (Individual Savings Account)

ISAs are wrappers within which a wide range of savings and investment products can be held, free of UK income and capital gains tax by anyone aged 18 or over (16 or over for cash ISAs).

ISAs serve as a 'wrapper' to fully protect savings from tax, allowing individuals to invest monies up to maximum limits (by way of regular or single amounts) each tax year in a range of savings and investments and pay no personal tax at all on the income and/or profits received.

The main ISA benefits are:

- No personal tax (income or capital gains) on any investments in an ISA.
- Income and gains from ISAs do not need to be included in tax returns.
- Money can be withdrawn from an ISA at any time without losing the tax breaks.

To be eligible to invest in an ISA, an investor must be an individual (i.e. not a company or trustee) who is 18 years of age or over (except that 16 and 17 year olds are able to invest up to £20,000 in a cash ISA) and who is resident in the UK (or is a Crown servant serving overseas or the spouse of such an individual who accompanies their spouse abroad).

When an individual ceases to be eligible to invest in an ISA, any existing ISAs will continue to be exempt from UK tax, but future contributions to regular investment ISAs must be terminated and no further single contributions may be made.

On death

If an ISA saver in a marriage or civil partnership dies on or after 3rd December 2014, their surviving spouse or civil partner will inherit their ISA tax advantages. As from 6th April 2015, surviving spouses/civil partners are able to invest an additional amount in their own name equal to the value of the deceased's ISAs, on top of their usual allowance.

So, if an ISA holder were to die, leaving an ISA valued at £30,000 at the date of their death, their spouse is entitled to an additional ISA allowance of £30,000. Where a cash subscription is paid, the spouse has three years from the date of death to use this or if later, 180 days from the completion of the administration of the estate, and it can be paid in addition to their ISA allowance.

Where the ISA assets are left to someone else in the will or are used to meet expenses from the estate, the spouse is still entitled to the additional allowance, and this cannot be claimed by anyone else even if they received assets from the ISA.

The surviving spouse can use the additional allowance to top up an existing ISA or open a new ISA with an ISA manager of their choice.

The subscriptions can be made to either a cash or stocks and shares ISA, in cash or the inherited non-cash ISA assets.

The claim must be made within three years of the date of death or if later, 180 days from the completion of the administration of the estate, for subscriptions in cash and within 180 days of beneficial ownership passing to the surviving spouse for "in specie" subscriptions.

Withdrawals

You can withdraw cash or assets held in ISAs at any time and there is no minimum length of time you need to hold them first. All withdrawals are free of tax.

Risk considerations

There are a number of risk considerations that need to be taken into account. It is important that you are aware of these in relation to your particular circumstances.

- Past performance is no guarantee of future returns
- ISAs can grow but depending on market conditions the client may not realise the initial sum invested. There is no guarantee that they will get more out of an ISA investment than they have paid in.
- ISA investments are liable to Inheritance Tax on death (except those eligible for Business Relief). Income Tax deducted at source on foreign dividends may be recoverable. There are no further Income Taxes to be paid on investments held within an ISA.
- If the client leaves the UK and is no longer a UK resident, then they can keep the ISA investment with its tax advantages but can't make any new contributions to the ISA.
- Income generated from investments held in ISAs is variable and is not guaranteed.

4. JISA (Junior Individual Savings Account)

JISAs are wrappers within which a wide range of savings and investment products can be held, free of UK income and capital gains tax by anyone up to the age of 18.

As with ISAs, JISAs fully protect savings from tax, allowing individuals to invest monies up to maximum limits (by way of regular or single amounts) each tax year in a range of savings and investments and pay no personal tax at all on the income and/or profits received.

To be eligible to invest in a JISA, the child an investor must be under the age of 18, resident in the UK and not hold a child trust fund. The annual subscription limit is £9,000 in the current tax year (2024/5) and any person or organisation may contribute.

Types of account

- Both cash and stocks and shares versions are available
- The qualifying investments for each version are the same as for the adult ISA
- Children can only hold one cash and one stocks and shares JISA at any one time
- All returns are tax free for the child and for their parents

Account opening and operation

Anyone with parental responsibility for an eligible child may open a JISA, on their behalf and once aged 16, the child may open a JISA for themselves.

Until the child reaches age 16, accounts are managed on their behalf by a person with parental responsibility for that child and this will initially be the person who opened the account, although this may be transferred to another.

Withdrawals and transfers

Whilst it is possible to transfer accounts between providers, it is not possible to hold more than one cash and one stocks and shares JISA, at a time.

At 18, the account will automatically transfer to an adult ISA, becoming accessible to the child. Withdrawals are not permitted until the child reaches 18, except in cases of terminal illness or death.

Risk considerations

There are a number of risk considerations that need to be taken into account. It is important that you are aware of these in relation to your particular circumstances.

- Past performance is no guarantee of future returns
- ISAs can grow but depending on market conditions the client may not realise the initial sum invested. There is no guarantee that they will get more out of an ISA investment than they have paid in.
- ISA investments are liable to Inheritance Tax on death (except those eligible for Business Relief). Income Tax deducted at source on foreign dividends may be recoverable. There are no further Income Taxes to be paid on investments held within an ISA.
- If the client leaves the UK and is no longer a UK resident, then they can keep the ISA investment with its tax advantages but can't make any new contributions to the ISA.
- Income generated from investments held in ISAs is variable and is not guaranteed.

5. Lifetime ISA (LISA)

This is type of ISA is designed to either help first time buyers get a foothold on the property ladder or provide a retirement fund, from age 60. It can invest in either cash or stocks and shares and has a 25% bonus, added annually, rather than on property purchase.

Applicants must be aged between 18 and 39 to open a Lifetime ISA. Each year, a maximum of £4,000 can be saved, but payments must stop once the applicant reaches age 50. The government will add a 25% bonus to savings made, up to a maximum of £1,000 per year.

Money can be withdrawn penalty free from the LISA, if any of the following criteria apply:

- funds are used to purchase a first home
- applicant is aged 60 or over
- applicant is terminally ill, with less than 12 months to live

There is normally a 25% charge applied to the value of withdrawals for any other reason.

It's currently possible to pay into a Help to Buy ISA or a Lifetime ISA, but not both.

Eligibility

In addition to the age limits stated above ISA investors must be individuals* who are UK resident or Crown employees, or their spouse/civil partner, serving overseas.

Non-UK resident investors cannot subscribe to an existing or new ISA. However, someone who becomes non-UK resident can retain any existing ISAs which will continue to be tax free in the UK.

The non-resident investor is still able to:

- transfer their ISA to a new provider (although not all ISA managers will allow transfers in from non-residents)
- make withdrawals
- switch investments within the ISA

** ISAs are not available to trustees and cannot be gifted to trusts or individuals. Joint accounts are also not allowed.*

On death - Inheritance tax

ISA investments cannot be written in trust and will form part of the investor's estate for IHT, unless invested in AIM shares, which would mean that, after holding the investment for two years, the shares held may qualify for 100% Business Property Relief, making them free of IHT.

If an ISA is inherited by a spouse or civil partner on death it will be covered by the spousal exemption. Therefore, there would be no IHT on first death but they will form part of the surviving spouse's estate and IHT may become due on the second death.

On death - Income tax and CGT

The tax advantages of an ISA can continue after death, if an investor died after 6th April 2018, but no new monies can be paid into the ISA after death. However, growth and income will remain tax free whilst the administration of the estate is being completed.

The tax advantages can continue until the sooner of:

- the administration of the estate is complete or
- the ISA is closed or
- three years has elapsed since the date of death

6. Personal Pension or SIPP (Self Invested Personal Pension)

A personal pension or SIPP is a tax efficient investment vehicle used to provide benefits in retirement. It is primarily aimed at self-employed individuals, or employees who are not eligible or do not wish to join their employer's pension scheme.

Personal pensions are not restricted by a cap on charges and therefore tend to offer a wider range of investment opportunities and retirement benefit options than stakeholder pensions. This flexibility provides greater scope to tailor the pension plan to the individual's needs and circumstances.

Contributions

- Tax relief on personal gross contributions is restricted to the higher of £3,600 or 100% of relevant UK earnings each pension input period and is capped at an annual allowance of £60,000 (unused allowances can be carried forward from the previous three tax years). (tax year 2024/5)
- There is no limit on employer contributions, but these are allowed for tax relief at the discretion of the local Inspector of Taxes.
- Contributions paid (by an individual, employer or third party) more than the annual allowance will be subject to a tax charge at the individual's marginal rate of tax.
- If benefits are taken from a pension fund in the form of an income via flexi-access drawdown, an uncrystallised pension lump sum, or a flexible income via an annuity, the annual allowance is reduced to £10,000.
- The annual allowance of individuals with adjusted yearly incomes (this is in effect a person's total income and includes, amongst other things, their pension contributions but minus certain allowances) of more than £260,000 is reduced by £1 for every £2 of excess income subject to threshold income being over £200,000.

Personal contributions to a registered pension scheme receive basic rate tax relief at source. This means for every £80 paid in, the pension fund will receive an additional £20 in tax relief. Higher and additional taxpayers can claim further tax relief through their tax return. No tax relief can be claimed on contributions paid after age 75. However, contributions will continue to benefit from tax-advantaged growth whilst they remain invested in an approved pension scheme.

Retirement ages

The earliest age benefits can be drawn from a pension fund is normally 55. However, benefits may be able to be taken before then if the individual is retiring because of ill-health. There is no maximum retirement age. The age at which an individual can access their pension fund is set to rise to 57 from 2028.

Pension benefits

Benefits are subject to income tax and taxed through PAYE, and can be taken from a pension fund via any combination of the following options:

1. Variable ad-hoc withdrawals known as flexi-access drawdown
2. A single or series of lump sum cash payments (uncrystallised fund pension lump sum)
3. A regular income known as an annuity
4. A scheme pension

Tax-free lump sum

25% of an uncrystallised money purchase pension fund can typically be taken as a tax-free lump sum (Pension Commencement Lump Sum). Although higher amounts are available for some pension plans established prior to 6th April 2006. Withdrawals in excess of the tax-free entitlement are taxed at the individual's marginal rate of income tax.

Death benefits

The money purchase pension fund (up to the lifetime allowance) of an individual who dies before age 75 can be passed on to any nominated beneficiary free of taxation either as a lump sum or income, irrespective of whether the fund has been crystallised, provided payment is made within two years of the scheme administrator being notified of the death of the individual.

If the individual dies on or after their 75th birthday, or they die before age 75 but the funds are not paid out to beneficiaries within 2 years, then beneficiaries will pay tax at their marginal rate of income tax on both lump sum and income withdrawals. The original beneficiary can also nominate future beneficiaries who can also access the fund as a one-off lump sum or by continuation of income.

There are no limits on the age of any beneficiary, so a grandparent may skip generations to leave pension benefits to grandchildren, for example. If the death of the original beneficiary occurs post age 75, the subsequent beneficiary would also pay tax on withdrawals at their marginal rate.

Lump sum Allowance (LSA) and the Lump Sum and Death Benefit Allowance (LSDBA)

Following the abolition of the Lifetime Allowance from 6 April 2024, two alternative allowances were introduced. These are the Lump Sum Allowance (LSA) and the Lump Sum and Death Benefit Allowance (LSDBA).

As before, most people will be limited to a maximum tax-free amount. This has been set at £268,275 and will be the standard Lump Sum Allowance (LSA). The LSA can be higher for those with Individual/Fixed Protection and for those with scheme specific protected tax-free cash.

Where tax-free lump sums were taken prior to April 2024, the LSA will be reduced to account for them. The calculations on this aren't as simple as you might think. It isn't strictly a £1 for £1 reduction. Some people will have a situation where their total tax-free cash will be more than the LSA, even without any protections in place.

The legislation includes rules for people who have taken pension benefits without taking tax-free cash. The outgoing rules are harsher than those being introduced. The legislation refers to a transitional tax-free amount certificate (TTFAC). Affected individuals will have the chance to request this certificate from a pension scheme administrator. It is important to note that this cannot be done for comparison purposes. We will therefore work with you to establish if you are likely to benefit before an application is made.

The Lump Sum and Death Benefit Allowance (LSDBA) measures the tax-free lump sums paid during the member's life, including from the LSA, and the lump sum death benefits paid following their death before age 75. The limit for this allowance is £1,073,100. Anything paid as a lump sum above this level is taxed as income in the beneficiary's hands. The LSDBA can be higher for those with Individual/Fixed Protection.

The main difference in the new rules, when compared to the outgoing legislation, is that the test now includes growth on drawdown funds between crystallisation into drawdown and death before age 75. This was previously untested against the old lifetime allowance, although there was a test on this growth at age 75.

The new rules will measure all the lump sum benefits payable against the LSDBA. The previous rules on income payments from beneficiary plans that offer flexi-access drawdown are unchanged. These will continue to be paid tax-free to beneficiaries on death before age 75. This would include drawing the entire beneficiary drawdown in one lump sum, which would still be deemed an income payment and payable as a tax-free amount.

State pension age

The State Pension age has historically been 60 for women and 65 for men. By November 2018 the state pension age increased to 65 for all women and to 66 by October 2020 for both men and women. It will rise again to age 67, between 2026 and 2028.

An increase to 68 is due to be phased in between 2044 and 2046. However, the Government has, on more than one occasion, indicated that this could be brought forward. The latest review carried out in July 2017 suggested that it could be phased in between 2037 and 2039.

New state pension

The new State Pension was launched on 6th April 2016 to replace the basic State Pension and State Second Pension. It pays a maximum of £185.15 a week (assuming 35 years of full rate national insurance contributions). The change will impact women born on or after 6th April 1953 and men born on or after 6th April 1951.

7. Offshore or International bond

Offshore Bonds are collective investments in which the investments of many individual investors are pooled. They are technically single premium life assurance contracts and therefore normally have nominal life cover attaching. A number of companies market offshore life policies, particularly single premium bonds. The most popular are those issued by subsidiaries of well known UK life offices in countries such as Luxembourg, the Republic of Ireland, the Channel Islands and the Isle of Man.

The income and gains of an offshore bond fund will normally be free of tax in the relevant jurisdiction. Hence they are often referred to as benefiting from "gross roll-up".

Whilst there will normally be no tax in the particular tax haven that the insurer is based, the fund is likely to suffer some withholding taxes on its underlying investments. There may be scope to reclaim some of the tax under double taxation agreements but it is unlikely that an offshore fund with equity content will ever be truly 'gross' of all taxes.

The ability to defer tax is greater under an offshore bond than an onshore bond, therefore the longer it is held the greater the compounding effect of the tax deferment. All things being equal an offshore fund will create a greater return than an onshore one over the longer term. However, the greater the level of withholding tax and management expenses (an offshore fund has no tax from which it is able to deduct management expenses) the less an individual will benefit from gross roll up.

To be eligible to invest in an investment bond, an individual investor must be 18 years of age or over. The investment can also be made on a joint basis, or by a company or trustee(s). The nominated life (lives) assured could be an individual aged under 18.

Taxation

Offshore bond gains are liable to tax and the rate will depend on the policyholder's personal tax position. The personal allowance and the starting rate band for savings income can be offset against offshore bond gains to receive some or all of the gains tax free if earned income falls below the total of the personal allowance and starting rate band for savings (£12,500 plus £5,000 in 2024/5). Otherwise gains will be taxed at the basic rate of 20%, higher rate of 40% or additional rate of 45%.

If the policyholder has been UK resident throughout the life of the offshore bond then the whole gain will be taxed in this way. However, if the policyholder has been non-resident for part of the term then the chargeable gain is reduced.

Top-slicing relief is available on offshore bonds but can only be used to reduce (or eliminate) higher rate tax liability – it cannot be used to reduce basic rate liability. It is also available to higher rate taxpayers where the total gain is not covered by the higher rate band, in order to assess whether any additional rate tax is due. The number of years used for top-slicing is reduced by the number of complete years for which the policyholder was non-resident. The number of relevant years used in the top-slicing calculation is always based on the years from commencement of the bond.

All statements concerning the tax treatment of products and their benefits are based on our understanding of current tax law and HM Revenue and Customs' practice. Levels and bases of tax relief are subject to change.

Withdrawals

Some or all of the investment can be withdrawn whenever it is needed.

Offshore bond holders can benefit from the '5% rule' up to 5% of the initial premium can be withdrawn in each policy year (until such time as all of the original investment has been withdrawn, e.g. 20 years if 5% is withdrawn each year) with no immediate tax liability. At the start of each policy year, a tax deferred allowance is accrued of 5% of the premiums paid. If this allowance is not used it can be carried forward to use in future policy years (the cumulative allowance).

Should there be a need to make withdrawals in excess of the cumulative 5% entitlement in the future, any such excess would be added to the bond owners taxable income in the tax year and charged to income tax at one or more of the following rates as applicable: the starting rate 20%; basic rate 20%, higher rate 40% and additional rate 45% (45% for trusts). Top slicing relief is available where applicable. Some gains may not incur a tax liability at all if, when added to other income, the total gain falls within the personal allowance (and starting rate band if available).

Unless a capital redemption bond is used, a lump sum will be paid out based on the surrender value of the investment on death of the last life assured and this will be taxed in the same way as a surrender.

You should also be aware that if a chargeable gain occurs, the full gain (without top-slicing) is added to your other income in the tax year for the following purposes:

- In order to assess eligibility for the personal savings allowance of £1,000 (for basic rate taxpayers) or £500 (for higher rate taxpayers)
- in order to assess whether 'adjusted net income' exceeds £100,000 and the Personal Allowance is reduced or lost

Risk considerations

- Governments can and do change the rules on tax in respect of investments such as bonds.
- The price of units and the income from them can fall as well as rise.
- The value of this investment is not guaranteed and on encashment you may not get back the full amount invested.

Upon realisation, any chargeable gains made by the bond are added on top of your other income for the tax year of the surrender and there will be tax to pay at your marginal tax rate, subject to top-slicing.

Important information



This document is for information only and is based on our understanding of current legislation, which may change in the future. It does not constitute individual financial planning advice. The value of investments can fall as well as rise and is not guaranteed.

If you have any questions or would like advice on your personal situation, please contact us on 01225 613444 or email info@baileycfp.co.uk.

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