Offshore investing

Explore your options with Standard Life International

Standard Life

There's a lot to look forward to

Contents

What does your future hold?

Life is unpredictable. But that doesn't mean you can't plan for your future. And as life goes on and your priorities change, your plans can change, too.

Offshore investing with Standard Life International could give you that control and flexibility.

Want to grow your money?

Offshore bonds offer the potential to grow your money over the medium to long term.

A tax-efficient way to manage your money

Offshore investing can be a tax-efficient way to plan for your future, giving your money greater potential to grow. And you normally won't pay any tax until you decide to take your money out of the bond.

Choice over how you invest

Choose from a wide range of investments, with the flexibility to shape your bond around your goals – both now and in the future.

And if things change, so can your bond

Switch your investment free of charge. You can also take an income or withdrawals from your bond if you need them.

You're in control, so you can make the International Bond work for you.

Before you decide to buy you need to know what the risks and commitments are. Read our Key Features Document and Key Information Document.

It will help you decide if this product is right for you. If you're still not sure what to do, or would like more information about anything mentioned in this guide, please speak to your financial adviser.

Open up new horizons for your money

Most people know that offshore investing is tax-efficient. Did you know it's also flexible, accessible and affordable?

There are two big myths about offshore investing. First, that it's complicated and second, that it's out of reach for all but the wealthiest investors.

The truth is that offshore investing can be a practical, down-to-earth way to manage your money. It may not be right for everyone. But that's true of all investments. And if you have a lump sum of £20,000 or more to invest, or if you want to make payments on a regular basis (we call them recurrent single payments) of at least £1,000 each month by direct debit, an Offshore Bond could have many advantages. Some types of investment need a higher minimum payment – details can be found in the Key Features Document.

The value of any investment can go down as well as up, so may be worth less than you paid in.

Is offshore investing regulated?

Many of the major global life assurance groups provide offshore investments. And modern offshore centres, such as Ireland, are regulated. For example, life offices based in Ireland are accountable to the Central Bank of Ireland, which also makes sure that the life company has enough assets to cover its responsibilities to policyholders.

A few words on tax

We've based all the tax information in this brochure on our experts' understanding of the tax laws in Ireland and the UK at October 2018. The information only applies to you if you're resident in the UK for tax purposes. Laws and tax rules may change in the future. Your own tax position may change, too. If you want to find out if you're in a position to benefit from offshore investing, speak to your financial adviser.

Meanwhile, you can find out more about how tax works in relation to an offshore investment on the next page.

When should you consider a bond?

The bond can be a useful tax-efficient solution in a wide range of different situations. For example:

- If you're looking for a tax-efficient way to save for the future
- If you're planning to move or retire abroad
- If you've used up your pension allowance, a bond can offer tax advantages
- If you're thinking about protecting your estate against inheritance tax
- If you're planning to gift money to your family or friends
- If you're a small business owner keen to maximise your tax-efficiency

In these situations – and many others – a bond could be a tax-efficient way to plan for your future.

A bond that puts you in control

Flexibility, choice and control

Our bond has a wide range of features that combine to create a flexible, tax-efficient product that puts you in control. Here's a quick summary.

Wide range of investments

You can choose from a wide range of funds, a selection of discretionary investment managers, deposit accounts and structured deposit accounts.

Switching between investments

It's easy to change the mix of investments within your bond and there's no tax to pay when you do.

You may have to pay a charge for switching certain types of investments. We may also delay switching in some circumstances. To find out more, see our Key Features Document.

A tax-efficient way to plan for your future

Offshore investing can be a tax-efficient way to plan for your future, giving your money greater potential to grow.

Normally, as a UK taxpayer, you have to pay tax on any income and profit you make from any of your investments. The amount of tax you'll pay depends on your personal circumstances, the country you live in for tax purposes and the current rate of tax.

But a bond is different. While you're invested in a bond (and as long as there is a life assured on the bond), you won't normally pay tax on any growth – instead, tax may be paid when you take money out of the bond and will be based on your circumstances at that time.

So that means that if you're a higher or additional rate taxpayer now, you can invest in a bond and pay tax later when you may be in a lower tax bracket.

The only exception to this rule is that certain investment funds may charge a 'withholding tax'. This is a tax that some countries deduct from dividends and interest payments. It's not always possible to reclaim withholding tax.

Take your money out when it suits you

You can withdraw up to 5% of the total amount you've paid into your bond each year for up to 20 years, and put off paying tax until later. And if you don't use your 5% allowance one year, you can carry it forward to a future year. If you take more than 5% from your bond each year, you may need to pay a tax charge.

Taking money out will reduce the value of your bond, so you should speak to your financial adviser before withdrawing money.

Extra control when taking or gifting money

Our bond is made of identical segments, which allow you to take or gift money from your bond tax-efficiently.

Where segments have been assigned, our bond offers the assignee the freedom to decide their own investment and withdrawal strategies, in line with their goals.

And if you assign segments of your bond to an adult child or adult grandchild, you may be able to reduce the tax paid on it, since the tax paid depends on the tax rate of the person who owns it when it's cashed in. So if they're in a lower tax bracket than you, more of the money will go to them.

Moving abroad?

Our International Bond is designed for customers who are habitually resident in the UK, Isle of Man or Channel Islands.

If you are planning on moving abroad, either for work or to live, then investing in a bond could be beneficial due to any UK tax liability on the investment gains and income being put off until you cash in the bond.

When planning to move abroad, it is important that you seek appropriate tax and financial advice to make sure that the bond continues to be suitable for you and you understand how you bond is taxed in your new country of residence. We cannot guarantee the effectiveness of the bond should you move abroad.

You are normally domiciled in the UK if you have your permanent home in the UK. Where you are domiciled is an important issue, as it has an impact on how inheritance tax will be applied. If you think this issue could affect you, speak to your adviser.

Planning to move abroad and return to the UK in the future?

If you cash in your bond when temporarily living abroad there may be UK tax to pay if you return within certain time limits.The Inland Revenue will take into account how long you've been away from the UK, and you may be able to adjust the tax you pay accordingly.

Have you used up your pension allowance?

Investing a lump sum offshore could have tax advantages for you.

The lifetime allowance is the maximum amount of all your private and work pension savings that you can have as a fund without being charged tax. If the value of your pension funds exceeds the lifetime allowance, you may need to pay tax on the excess. The lifetime allowance does not include your state pension.

For more information please ask us for our leaflet 'Information about tax relief, limits and your pension' (GEN658).

A tax-efficient way to save for your future

If your pension fund is more than the Lifetime Allowance, you may have a tax bill to pay. This allowance is £1,030,000m for the tax year 2018/19. The standard annual allowance limit for the tax year 2018/19 is £40,000.

A point to note – if you have total income and employer pension payments that exceed £150,000, then you may have a reduced annual allowance. The standard £40,000 is reduced (tapered) by £1 for every £2 of 'income' you have over £150,000 in a tax year until your allowance reaches £10,000. You may be able to carry forward unused allowances from previous years if you are affected by tapered annual allowance.

If you have used up your lifetime allowance, or you're a high earner, investing a lump sum offshore may have tax advantages. The way investments in bond are taxed can give the potential for higher returns. There's the added advantage that you can take your money out or move it between a wide choice of investment options. The value of the investments can down or up in value so you might get back less than you've paid in – there are no guarantees.

There may also be 'withholding tax' payable on certain investment funds. See page 3 for an explanation of withholding tax.

It's easy to switch between investments

As life goes on, your priorities can change. The level of risk you feel comfortable with can also change. So – what happens if you want to move your money into an investment that fits a particular financial goal? Or switch to a lower-risk investment as you get closer to retirement? With a bond you can change your investments to fit your needs without paying tax.

We may charge for switches with some types of investment. Sometimes, in exceptional circumstances, we may have to wait before we can transfer or switch your funds. This is to maintain fairness between those remaining in and those leaving the fund.

This delay could be for up to a month. But for some funds, the delay could be longer:

- It may be for up to 9 months if it's a property based fund because property and land can take longer to sell
- If our fund invests in an external fund, the delay could be longer if the rules of the fund allow this

If we have to delay a transfer or switch, we'll use the fund prices on the day the transaction takes place – these prices could be very different from the prices on the day you made the request. You'll find more details in our key features document.

Take out your money, pay tax later

Although your pension can also provide you with a tax-free lump sum, you may need what's left to provide you with an income. You'd pay tax on your pension income, and you normally have to wait until you are 55 (may be subject to change) to take your pension.

With a bond, you can access your money when it suits you – so you don't have to wait until you're 55. Plus, you have more control over the timing of any tax charges.

There's more information about withdrawing money from your bond, and the tax treatment of a bond on page 3.

"If your pension fund is worth more than a certain amount, you have to pay tax on it. I'm getting pretty close to the limit, and I've already put as much as I'm allowed into my ISA."

You won't normally pay tax on income and gains until you take money out of a bond. This tax-efficiency is combined with flexibility - you can take your money out or switch between investment funds whenever you want. And there's no limit to how much you can put in.

Want to protect your estate from inheritance tax?

A bond can help you give someone money in a tax-efficient way.

A tax-efficient way to plan around inheritance tax

Everyone is allowed to leave up to £325,000 when they die without being charged any inheritance tax (IHT).

Anything you leave over this amount may be taxed at 40% – although transfers between married couples or civil partners are generally free of inheritance tax. Couples may also be able to transfer any unused part of their allowance on their death to the estate of their surviving spouse or civil partner.

There are various ways you can protect your estate and avoid IHT. It's always important to get expert advice on all your options. But an offshore investment put into a trust could be an effective and tax-efficient way to give away money but retain some control of the money while you're living, and provide for your children.

How an offshore investment can help protect your estate

A bond may be put into a trust which can be a useful way to reduce any IHT liability and even avoid it altogether.

The amount you invest might not be included in your estate for IHT purposes as long as you live for at least seven years after you put it in trust. And any growth on a bond will be immediately outside your estate.

Depending on the type of trust used and the value of the investment, IHT may be payable when the trust is set up and once the trust is running.

If you invest in a bond and put it into a trust for your children, you can act as a trustee. As a trustee, you're the legal 'owner' of the investment – although it is held for the benefit of your children. It means you'll still have some control over the money, for as long as you are a trustee. And depending on the type of trust you've chosen, as a trustee you can decide how much can be withdrawn from the investment, and when.

Putting your International Bond into a trust for your children can be a useful way to reduce inheritance tax. And you can act as a trustee, so that you have some control over the investment.

Or just planning to give family or friends some help in the future?

A tax-efficient way to pass on your bond

What if you simply want to give a child or grandchild a helping hand while you're still around to see them benefit from it?

The bond can help with a number of different events in your family's future:

- School fees
- University fees
- Planning a wedding
- Saving for a new baby
- Buying a new home

The bond is normally split into 100 segments, to allow you to gift money from your bond tax-efficiently. So you can assign segments from your bond to someone else, as a gift. And, our bond lets you treat each segment differently to match the goals of the person who owns it. So the owner can choose a different investment strategy or withdrawal strategy for each segment.

When the bond or segment is cashed in, the amount of tax that's due will depend on the tax status of the person who owns the bond at that time. So if you want to give money to adult children or grandchildren, it can make sense to transfer segments of the bond to them before they are cashed in. As the owners of the bond they'll pay tax at their rates, not yours. So if they're in a lower tax bracket, that means more of the money will go to them.

Investing in a trust

Investing in a bond and putting it into a trust is another way to pass on your money to your friends or family. And you may be able to reduce the tax payable. (This depends on the type of trust you choose and the tax status of the beneficiaries.)

More information about trusts, and some other ways that we can help you to provide for your family and friends after your death, can be found in our guide to family wealth transfer (IHTS10).

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"I've looked after my savings so far and I want to use the money to help my son when he's ready for university. I'm taxed at the higher rate, and I don't want this to eat into his education fund."

Why choose Standard Life International?

We've told you more about how offshore investing works. Now we'll tell you more about how we work.

A strong parent company and solid foundations

Standard Life International is an Irish life assurance company that's wholly owned by the Phoenix Group.

Standard Life International is based in Dublin. We're authorised and regulated by the Central Bank of Ireland. We're also regulated by the Financial Conduct Authority for our UK business, and regulated by the Jersey Financial Services Commission for the conduct of long-term insurance business in Jersey.

Advantages to our Dublin base

Our Dublin location offers advantages – for example, Discretionary Investment Managers accessed via our bond won't charge VAT on their fees, due to the tax position in Ireland.

Our service and support

Standard Life International makes it simple for you to invest offshore – with one point of contact.

We know that customers need more support than ever to make important financial decisions, so we use our exprtise to help them get good advice and make better financial choices for their future. Together with your adviser, we can help you make good choices with your life savings.

A history you can rely on

At Standard Life, we've been helping customers with their life savings for nearly 200 years. Today, the Standard Life brand is trusted by over 4.5m customers, helping them to manage their life savings so that they and their families can enjoy a better future.

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Standard Life have been looking after customers for nearly 200 years. Today, around 4.5 million people worldwide trust the Standard Life brand with their money.

Offshore investing at a glance

Tax-efficiency

Unlike onshore investing, while your money is invested in a bond (and as long as there is a life assured on the bond) you won't normally pay tax on any growth. Instead, tax is paid when money is taken out of the bond and will be based on your circumstances at that time.

Take money out now, pay tax later

Each year, you may be able to take out up to 5% of the total amount you've paid into your bond, and pay any tax at a later date. And if you don't use your 5% allowance in one year, you can carry it forward to a future year.

Wide range of investments

Choose from a wide range of funds, Discretionary Investment Managers and a selection of deposit accounts.

Switching between investments

You can easily change the mix of investments within your bond. And there's no tax charge to pay.

You may have to pay a charge for switches with certain types of investments. We may also delay switching in some circumstances. To find out more, please see our Key Features Document and Key Information Document.

Simpler tax returns

You don't have to declare a bond on your tax return unless:

- you withdraw more than 5% of your original investment for each year that the bond has been running
- you cash in the bond and make a profit
- you sell your bond, or
- the bond comes to an end because the last life assured dies

This information is for UK residents. If you move abroad, your tax situation may change.

Family wealth transfer

Offshore investing can be an effective way to protect your estate and help reduce or avoid inheritance tax.

Find out more

Call us on 0345 300 4273

We're open Monday to Friday, 9am to 5pm. Calls may be monitored and/or recorded to protect both you and us and help with training. Call charges will vary.

www.standardlife.co.uk

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Standard Life International dac is authorised and regulated by the Central Bank of Ireland and subject to limited regulation in the UK by the Financial Conduct Authority. Details about the extent of our regulation by the Financial Conduct Authority are available from us on request.

Standard Life International dac is a designated activity company limited by shares. It is registered in Dublin, Ireland (408507) at 90 St Stephen's Green, Dublin 2. **www.standardlife.co.uk/International-Bond**