Standard Life

# Suitability report

## International Bond from Standard Life International Life Assurance Option

For advisers' use only (not to be relied on by anyone else)

**Before giving advice to your clients, you will have carefully considered their financial needs, their attitude to risk and their own individual circumstances, as all these factors will influence the recommendations that you make to them.**

Please note that this document provides general information in relation to the bond and you should refer to the terms and conditions if you have any queries in relation to our respective rights and obligations.

The International Bond is available on either a Life Assurance or Capital Redemption basis. Throughout this document, references to International Bond or Bond shall relate to International Bond – Life Assurance Option. This document contains some factual information you may find useful when drafting your suitability reports. The headings and layout are only examples and should not be taken as a guide for how your suitability report should look or what it should include.

You are solely responsible for making sure that the content of your report is current, appropriate, tailored for each client and meets regulatory requirements. We are not providing advice where you use any of this wording to contact your clients.

No responsibility is accepted by Standard Life International for your reliance on, or use of, this information which is supplied at your own risk.

Laws and tax rules in the UK and Ireland may change in the future, and tax can also depend on your clients' personal circumstances and where they live in the UK. The information here is based on our understanding in August 2020, and only applies if your client is resident in the UK for tax purposes.

## What benefits does the International Bond – Life Assurance option offer your client?

### 1. Freedom and flexibility

By choosing an International Bond your client has the option of investing with the aim of achieving tax efficient capital growth, income, or a balance between the two.

The International Bond is a whole of life, non-qualifying, lump sum, offshore investment bond. While the bond has no fixed term, it is intended as a medium to long term investment and it should usually be held for at least 5 years. The bond is made up of a maximum of 9,999 individual policies or "segments". Each segment represents a equal percentage of value of the bond and must have a minimum value of £200.

### 2. Payments and unbundled pricing

Your client can make one-off lump sum payments or recurrent single payments into the bond subject to the minimum levels.

The minimum amount for an initial lump sum payment is £20,000, with higher minimum levels applying to certain investment types and to Discounted Gift Plans. The minimum amount for an additional lump sum payment to an existing bond is £2,500.

Your client can make recurrent single payments every month, every 3 months, every 6 months or every year by direct debit.

The minimum limits if your client is only making recurrent single payments in a new bond are:

- £1,000 each month
- £3,000 every 3 months
- £6,000 every 6 months
- £10,000 every year

The minimum limits if your client has an existing bond, or is also making a lump sum investment of at least £20,000 are:

- £500 each month
- £1,500 every 3 months
- £3,000 every 6 months
- £5,000 every year

It's not possible to make additional lump sum or recurrent single payments if the Bond is held in a Discounted Gift Plan, Flexible Reversionary Plan or Loan Plan.

Some investment options may apply their own minimum investment limits and restrictions, see the 'Choice of investments' section for more information.

Unlike other tax wrappers such as a pension plan or ISA, there is no maximum investment limit under the International Bond. This means your client is free to invest as much as they want into the bond and continue to benefit from the tax advantages this brings.

There is one simple stepped product charge for all assets except insured funds. This stepped charge rewards your clients when they invest more with us. On insured funds there is no product charge and we may continue to pay large fund discounts where applicable. Please see the Key Features Document (IB17) for details on when large fund discounts apply.

## 3. Access to their money

Your client also retains access to their capital and can cash in all or part of their bond or make regular withdrawals. One-off withdrawals are subject to a minimum withdrawal amount of £500. If your client takes withdrawals that are greater than any capital growth on their bond, the value of their bond will fall.

There may be tax implications for one-off withdrawals depending on whether your client surrenders across all segments or whether they surrender individual segments.

Taking regular withdrawals can supplement your client's income and they can choose to withdraw a set amount or a set percentage of the amount they originally invested.

Regular withdrawals can be taken every: month, 3 months, 4 months, 6 months or year, subject to a minimum regular withdrawal amount of £200 per payment. The maximum regular withdrawal rate is 10% of payment per year. There may be additional limits on withdrawals if the bond is written under a Discounted Gift Plan.

Flexible Reversionary Plan reversions or payments to beneficiaries are paid by partial cash-in. For reversions this must be by partial cash in of one or more complete policies. Regular withdrawals cannot be taken. Please see the International Bond Key Features Document (IB17) for more information.

For investments in insured funds, regular withdrawals are made by cancelling units evenly across funds. For all other types of investment, regular withdrawals will be taken from your client's International Bond bank account (IB bank account).

Your client must keep at least £10,000 invested in their International Bond in order for it to remain open. Different limits may apply if your client is making recurrent single payments.

Withdrawals may not be allowed when an active direct debit is in place to make recurrent single payments.

For more information on the limits and restrictions when making payments and withdrawals, please see the International Bond Key Features Document (IB17).

Some fund managers, deposit accounts and structured deposit accounts may also apply restrictions and charges for withdrawals, see the 'Choice of investments' section for more information.

## 4. Choice of investments

Your client can choose from a range of insured funds, mutual funds, a selection of deposit accounts and structured deposit accounts, subject to the minimum investment limits of the bond and any minimum limits applied by the individual investment providers. Whole of market funds and a range of discretionary investment managers are also available on request, subject to a minimum investment in the bond of £100,000. For whole of market funds, the requested fund must be compatible with the International Bond.

All charges for, and withdrawals from, insured funds will be applied by a cancellation of units from those funds.

The price of units depends on the value of underlying assets after charges. As with any investment, the value of your client's funds can go down as well as up, and may be worth less than your client paid in.

All investment choices are made at your client's risk. Standard Life International is not responsible for the performance or solvency of the providers of the investments available through the International Bond.

If your client chooses to invest part or all of their money in investments other than insured funds, they will be required to have an IB Bank Account to manage the charges, investment transactions and withdrawals for those investments.

Your client can switch between investments without triggering a chargeable event. Please note that switches involving certain types of investment may incur charges. Standard Life International will levy a dealing and custodial charge of £20 for each buy or sell involving whole of market funds. Please note that some discretionary investment managers may apply their own dealing and custodial charges. Please see the International Bond Key Features Document (IB17) for more information.

If your client is invested in a deposit account or structured deposit account, some providers may apply early withdrawal charges if money is withdrawn from fixed term or notice accounts before the end of the term or without sufficient notice. Some fund providers may also apply withdrawal charges – the fund's prospectus will contain details if this applies. Deposit account, structured deposit account and fund providers can also delay withdrawals from the investment under certain circumstances. Make sure your client is aware of any restrictions that may apply.

For details of the FSCS protection that applies should Standard Life International or a 3rd party provider become insolvent, please see www.standardlife.co.uk/c1/investor-protection.page

### Phased investments

This option gradually invests your clients' money into their chosen investment funds over a period of either 3, 6, 9 or 12 months. So each month they are only investing a part of their money – rather than putting it in all at once. A minimum of £10,000 must be available in the IB bank account to start phased investment, and investment choice under this option is restricted to insured and mutual funds.

## 5. Tax benefits

An offshore bond can help give your client control over when and how much tax they pay.

### A tax efficient way to potentially grow their investment

While invested in the bond, your client won't normally pay tax on any growth. Instead, tax is paid when they take money out of the bond, and will be based on their circumstances at that time. There may also be withholding tax payable on certain investment funds. This is a tax that some countries deduct from dividends and interest payments. It is not possible to reclaim withholding tax. If your client invests in a net fund, where tax is paid on returns within the fund, where possible Standard Life International will reclaim the tax paid within the fund and return this to your client. We may not be able to reclaim tax if there are changes in HM Revenue & Customs practice.

The income and gains arising from the underlying investments in the bond accrue on a gross-roll up basis as they are not subject to any Irish Corporation tax within the bond.

However, the value of investments can go down as well as up and your client may not get back as much as they invest.

### Tax efficient withdrawals

Your client can defer paying tax on withdrawals of up to 5% each year of the total payments made into their bond. Over time this means they can take up to a 100% of the total payments made into the bond in this way. Any of the 5% allowance not used in a particular policy year, can be carried forward to a future year.

### Control the timing of a tax liability

Your client will only pay tax if they incur a 'chargeable event' e.g. make a profit when they cash in the bond, sell it, take a withdrawal over their 5% allowance or if the last life assured dies. They can also move their money between different investments under the bond without triggering any liability to tax in the UK.

This gives your client control over when they incur a chargeable event, so they can minimise the amount of tax they pay by timing a chargeable event to coincide with when they have moved into a lower tax bracket.

### Moving and working abroad

If your client is planning on moving abroad either for work or to live it is important they seek financial advice before doing so. An International Bond may give them extra flexibility and control over the tax they pay. Any liability to tax in the UK is calculated when your client cashes in their bond or makes a withdrawal, so they can choose to take any proceeds either in the UK before they move or in the country they are moving to.

What's more, if your client is planning on living outside the UK for any period between the start of the bond term and the time they choose to cash it in, they could benefit from time apportionment relief. See the 'Tax reliefs' section for more information.

Your client's tax liability in the UK will depend on their individual circumstances and where they reside when they cash in their bond. They should seek financial advice in the jurisdiction they are resident in when they cash in the bond.

### Tax reliefs

There are some tax reliefs that may help reduce the tax your client will pay on any chargeable gain.

Top slicing relief can be used to reduce the liability to tax in the UK by spreading the gain over, in most cases, the number of years the policy has been in force and is based on the tax that would have been paid on the average gain.

Time apportionment relief can be used to reduce the tax liability in the UK if your client has spent time living outside the UK for any period between the start of the bond term and the time when they choose to cash it in. The amount of tax they pay is reduced to take into consideration the length of time spent outside the UK.

Laws and tax rules in the UK and Ireland may change in the future. The information here is based on our understanding in August 2020. Your client's personal circumstances also have an impact on tax treatment. For more information on the tax treatment of the bond, please see the International Bond Key Features Document (IB17).

## 6. Estate planning and gifts

If your client wants to gift money to someone, they can 'assign' individual segments of the bond to another adult (the assignee) over the age of 18 (16 in Scotland). The assignee then becomes the legal owner of the segments assigned to them, so that when the bond is cashed in, the amount of tax owing will usually be dependant upon the tax status of the person who owns the bond when the chargeable event arises.

For example, if the assignee is your client's adult child or grandchild they will pay tax at their rate and not your client's.

Recurrent single payments into the bond have to stop if all, or part, of the bond is assigned. Once the assignment process is completed however the assignor or assignee may be able to make further recurrent single payments into the bond.

Standard Life also offers a selection of trusts which can be used with our International Bond as part of effective estate planning. For more information on the trusts available go to www.adviserzone.com

## 7. Peace of mind

If the bond comes to an end because the last life assured has died, the amount normally paid out is 100.1% of the total surrender value of bond, less any outstanding charges, and once all investments have settled.

Your client will have chosen to set up their bond as either:

- single-life, this means that life cover is payable on their death, or
- joint life last survivor, this means that life cover is paid out only on the death of the last survivor. Up to six lives assured can be included on a last survivor basis

### Accidental Death Benefit

If the last life assured dies within 90 days of an accident as a direct result of the accident and the death meets the conditions set out in the policy provisions, we will pay an accidental death benefit of 110% of the first £10,000,000 and 100.1% of the remainder (less any outstanding charges).

For further details on death benefits please see the International Bond policy provisions (IB62).

# What are the risks?

Although the Personal Illustration gives an indication of what your client might get back, the figures are not guaranteed and will depend on several factors.

Your client's investment may be worth less than the amounts in their Personal Illustration because:

- Capital growth could be lower than shown in the Personal Illustration
- The charges could go up
- We change the basis on which we set the price of an investment-linked fund
- Your client switches between investments

We regularly review our charges and may alter them to reflect changes in our overall costs, or assumptions. Any increases will be fair and reasonable.

For more information on the risks and commitments involved when investing in an International Bond, please see the International Bond Key Features Document (IB17) and the Key Information Document (rpbkid). Also, where relevant, the Key Investor Information Document (KIID) or the Supplementary Information Document (SID).

# Why choose Standard Life International?

## Benefits of an Irish location

Standard Life International is based in Dublin and this brings us many advantages not necessarily offered by other offshore locations. As a result of being based in Dublin, we are subject to strong EU based prudential regulation from the Central Bank of Ireland. Ireland is also a member of the EU and the OECD, which means we can take advantage of the agreements that exist between EU countries.

## About Standard Life International dac

Standard Life International is an Irish life assurance company wholly owned by the Phoenix Group. Standard Life International makes it simple to invest offshore, with one point of contact for all your needs.

You can call us on 0345 300 4273. Call charges will vary.

Standard Life International is based in Dublin, Ireland and we are authorised and regulated by the Central Bank of Ireland. Standard Life International has entered the UK's Temporary Permissions Regime (TPR) which means we are deemed authorised by the Prudential Regulatory Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority in respect of our UK business. The nature and extent of consumer protections may differ from those for firms based in the UK. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website.

Standard Life International dac is part of the Phoenix Group and uses the Standard Life brand under licence from the Standard Life Aberdeen Group. You can find out more about the strategic partnership between the Phoenix Group and Standard Life Aberdeen Group at **www.thephoenixgroup.com**

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