

Why Onshore Investment Bonds – For Family Investment Companies?

In this guide:

- Options for investing surplus company funds
- Reasons to consider an Onshore Investment Bond

The information in this document does not constitute advice and any actions arising should be done in conjunction with your adviser.



Chesnara Life

Introduction

Are you a Family Investment Company?

You're considered as a Family Investment Company if:

It is a privately owned UK company



Typically shareholders are family members



The company was established for Inheritance Tax planning



Family Investment Companies are typically set up by older generations seeking to protect family assets and pass on wealth to their descendants.

What options do you have for surplus company funds?

A Family Investment Company that has surplus cash could explore a number of options, including:

Pension contributions	A family investment company may invest in pensions to provide retirement security for owners and employees, while benefiting from Corporation Tax relief on the contributions.
Business liquidity account	Keeping funds in a liquidity account offers easy access to cash for unexpected expenses, short-term operational needs or growth opportunities.
Collective investments	Collectives such as Open Ended Investment Companies allow pooling of your money with other investors to achieve diversification, reduce risk and deliver access to investment opportunities that may not be available individually.
Onshore Investment Bond	This can be a tax-efficient way to invest surplus funds while allowing controlled withdrawals and potential for long-term capital growth.

Why your adviser might recommend the Chesnara Life Onshore Investment Bond

The Chesnara Life Onshore Investment Bond provides Family Investment Companies with a number of benefits:



Potentially higher returns than Cash – The Chesnara Life Onshore Investment Bond taken out by a Company may be a good alternative investment option if a Company holds a surplus amount of cash on deposit which is generating a low rate of return.



General tax planning – depending on the accounting standard adopted, the Bond may be used for general company tax planning.



Low Minimum Investment – The minimum investment into the Chesnara Life Onshore Investment Bond is £25,000. Top-ups of £500 or more can be made.



Investment Choice – The Chesnara Life Onshore Investment Bond provides access to an investment choice of over 3,800 funds (investment Trusts, OEICs, unit Trusts and ETFs) from more than 200 fund managers.



Corporation Tax deferral – Chesnara Life calculates the Tax liability, collects it from the Bond Cash Account and provides a 20% Tax Credit - which can be set against a Corporation Tax liability in the year the Investment Bond is fully surrendered or a part withdrawal takes place. Corporation Tax would be payable on the full surrender or on a part withdrawal from the Bond.



Tax Free Changes – Changes to investment strategy can be implemented without a tax implication.



Multi-life facility – The Chesnara Life Onshore Investment Bond can accommodate up to 10 Lives Assured - unless the Bond is fully surrendered, it will continue until the death of the last surviving life assured.



Loan Collateral – The Chesnara Life Onshore Investment Bond can be assigned as security for a loan if funding is required.

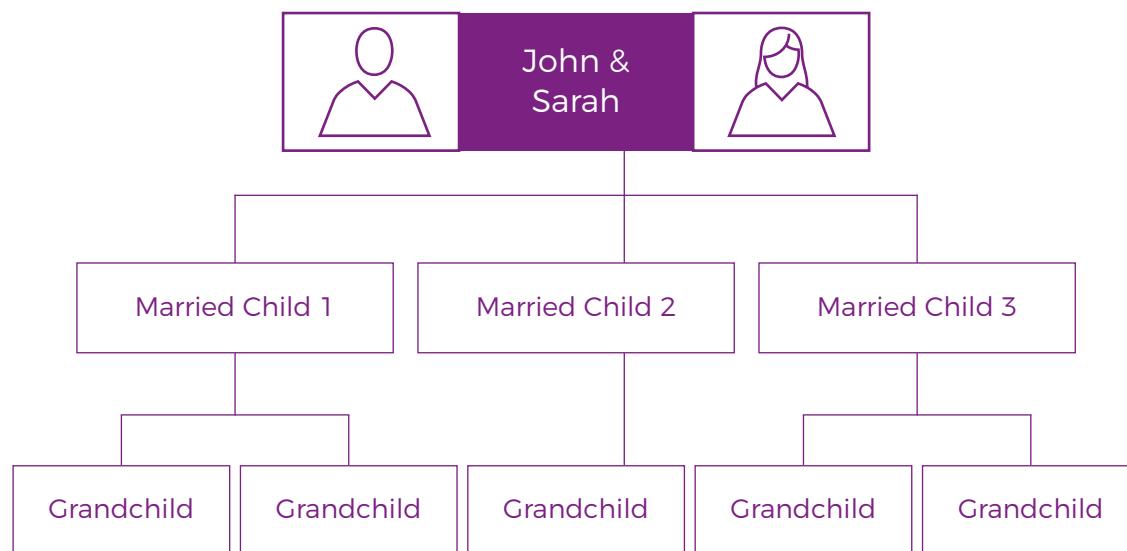


Simple Administration – Chesnara Life retain responsibility for ongoing Bond taxation and provide comprehensive six monthly Reports, providing a clear picture of the charges and deductions which apply.

Client case study – John and Sarah

John and Sarah are married, with three married children and five grandchildren. Over the past 40 years they have started up and now run many successful businesses. They have recently sold one company and have over £2 million to invest. They want to spend £1 million on a commercial property, to be rented out. They plan to invest the remaining £1 million for long term capital growth.

They have been advised by their accountants and lawyers to set up a family investment company. The cash will be used to acquire shares in the company and the company will then purchase the commercial property and invest £1m into the Chesnara Onshore Investment Bond for long term growth.



IMPORTANT INFORMATION

The impact of taxation (and any tax reliefs) depends on an investor's individual circumstances.

The information contained in this document is based on our understanding and interpretation of current UK tax law and HM Revenue & Customs practice as at April 2025. Tax law and practice may change in the future.

Chesnara Life (UK) Ltd is not responsible for any action an investor may or may not take as a result of information contained in this Guide.