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Onshore Investment Bonds – Why a Discounted Gift Trust?

The Discounted Gift Trust is a lump sum investment, held under Trust.

- Aims to immediately reduce your estate value for IHT
- Receive a regular fixed payment

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

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Designed for advisers to use with clients

What is a Discounted Gift Trust?

The Discounted Gift Trust is a lump sum investment, held under Trust.

It potentially achieves an immediate discount in the value of your estate, based on part of your gift that is put into Trust. This can be helpful for Inheritance Tax purposes.

It achieves a reduction in the value of your estate for the remaining part of your gift into Trust - provided you survive for seven years from the date you make the gift.

You can arrange to receive regular, fixed payments from the Trust.

Please note, however, that apart from the fixed regular payments, you will have no access to the investment once you have created the Trust.

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Why consider a Discounted Gift Trust?

Inheritance Planning

Helps reduce the value of an estate for Inheritance Tax purposes.

These Trusts are particularly useful for those with substantial assets who are looking to manage tax liabilities, protect wealth and plan for future distribution of assets to family members and beneficiaries.

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How does a Discounted Gift Trust work?

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A pot of money (the estate) with a value of £3m

2

£500k goes into a DGT

Discount is calculated based on age, health and life expectancy – and is confirmed at £150K

3

£150K immediately excluded from the estate from IHT

£350,000 is the gift into the Trust

Client receives regular income of £XX from the Trust

4

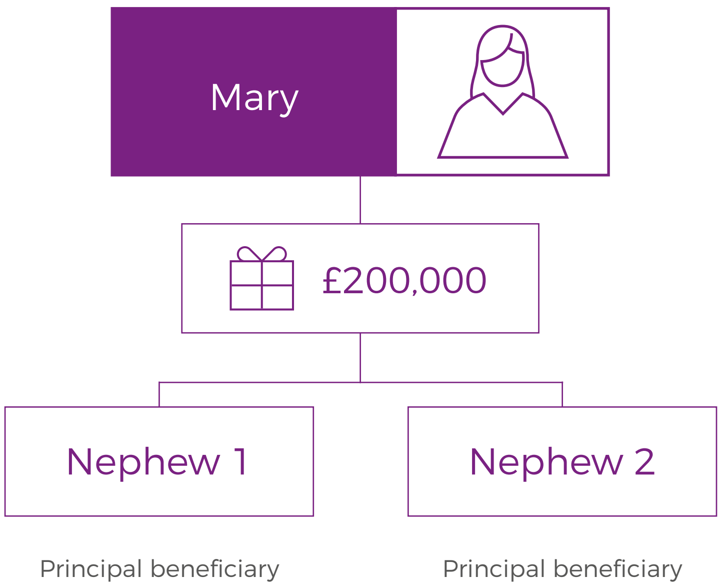
The client survives for 7 years

- An additional £350,000 is outside the estate
- Potential IHT saving £500,000 x 40% = £200,000
- All growth is outside the estate

Client case study

Mary transfers £200,000 into a Gift Trust and nominates her two nephews as her principal beneficiaries.

Mary chooses a Discretionary Trust because she wants to retain some flexibility over who will benefit. Mary creates her Gift Trust by giving her Trustees £200,000 which is then invested in the Chesnara Life Onshore Investment Bond.



Creating Mary's Discounted Gift Trust | The results | After 7 years | What's the tax saving on Mary's death?

Creating Mary's Discounted Gift Trust

Mary decides to transfer £200,000 into a Discretionary Discounted Gift Trust (DGT), with her two nephews being her principal beneficiaries.

The money is invested in the HSBC Life Onshore Investment Bond and regular payments from the Discretionary DGT are set at £10,000 a year.

She enjoys good health and, following underwriting, qualifies for a discount of £98,000 on this gift.

The remaining £102,000 (£200,000 - £98,000) will be a chargeable lifetime transfer because a Discretionary DGT has been used, however this amount is within her nil rate band so no IHT is chargeable.

Why your financial adviser might recommend the Chesnara Life Onshore Investment Bond

The Chesnara Life Onshore Investment Bond could suit your circumstances.

- Lump sum investments
- Medium to longer term investment
- Option to create a Gift Trust

Benefits that your adviser will explain to you:

- **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.
- **Flexibility** – your Bond can be split into a maximum of 1,200 segments to allow tax planning flexibility.
- **Simple Administration** – Chesnara Life retain responsibility for ongoing Bond administration and provide comprehensive six-monthly Reports. These provide a clear picture of the charges and deductions which apply making it easy for the Trustees to monitor and administer your Bond.
- **Individual tax calculations** – we calculate the Corporation Tax liability individually for each Bond, based on the growth achieved by the funds held.
- **Comprehensive online facilities** for your adviser to set up and administer your Bond.
- **Multi-life financial planning** – the ability to have combinations of up to 10 lives insured gives flexibility that will be particularly attractive to Trustees - unless the Bond is fully surrendered, it will continue until the death of the last surviving life assured.
- **Extensive range of withdrawal options** – annual withdrawals can be set for the usual 5% or increased up to 10% of the original investment and can be taken on a monthly, bi-monthly (every other month), termly (every four months), quarterly, half-yearly or yearly basis.
- **Minimum age** – three months for a life insured and 18 years for an applicant.

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IMPORTANT INFORMATION

The value of investments can fall as well as rise and you may not get back what you invested. For some investments this can also happen as a result of exchange rate fluctuations as shares and funds may have an exposure to overseas markets. Chesnara Life (UK) Ltd cannot be held responsible for the investment performance of your Bond. The value of any tax benefits described depends on your individual circumstances. Tax rules and rates may change in the future. Chesnara Life (UK) Ltd cannot be held responsible for any future changes in legislation. For more details, please refer to the Chesnara Life Onshore Investment Bond product brochure and Key Features which can be obtained from your Financial Adviser or from our website www.chesnaralife.co.uk.

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