WEALTH STRUCTURING & ESTATE PLANNING

TO MEET A CLIENT'S CHANGING AND FUTURE NEEDS

A WEALTH *of* DIFFERENCE

utmost™
WEALTH SOLUTIONS

LEARNING OBJECTIVES

By the end of the session, delegates will be able to:

› Understand some concepts of UK IHT planning including:

  - Inheritance planning opportunities using discounted gift, reversionary interest and loan trusts.
  - How trusts can be used to provide access to capital and/withdrawals for lifestyle planning.

› Discuss and explain this subject with a client in a clear and concise way.

› Apply this knowledge to appropriate, individual, client scenarios.

AGENDA

- The aim of session is to give an overview of offshore bonds and how they can be used with different trusts for inheritance tax planning.
- The session will last approx 50 minutes.

- OVERVIEW OF TAX RATES
  - HOW BONDS CAN AID PLANNING
- LIFETIME GIFTS
- DISCOUNTED GIFT TRUSTS
- REVERSIONARY INTEREST TRUSTS
- PLANNING WITH MULTIPLE TRUSTS
- NON LONG-TERM RESIDENTS
- QUESTIONS

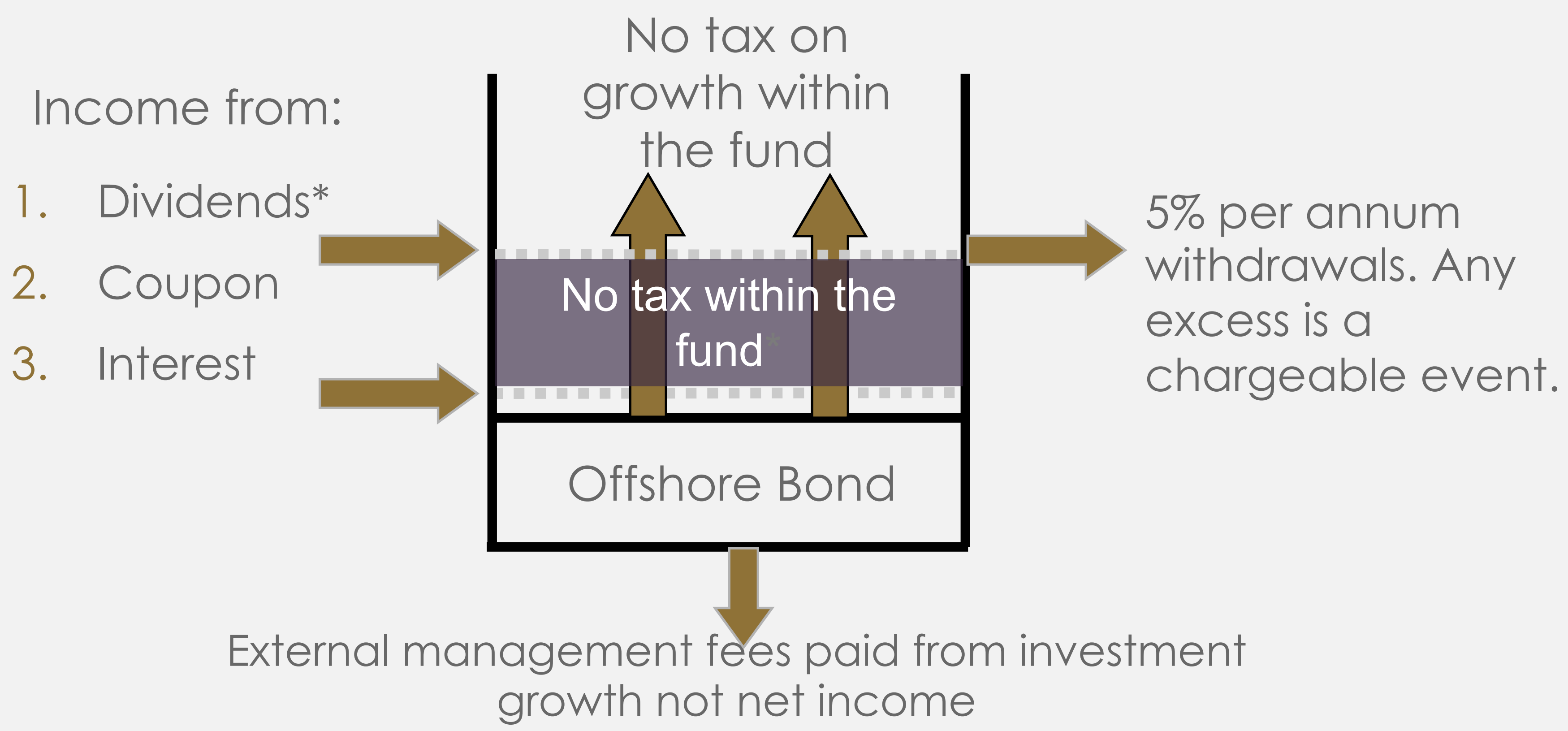
THE NEW TAX YEAR

TAX RATES FOR 2025/26

- No change to Income Tax rates, tax bands frozen until 2027/28.
- The rates of CGT for non and basic rate taxpayers is **18%.***
- The rate of CGT for higher and additional rate taxpayers is **24%.***
- No change to the CGT annual exempt amount which remains at £3,000 and £1,500 for trusts (assuming one settlement) but could be as low as £300.
- The nil rate band and residence nil rate band frozen until 2029/30
- Pension pots from 2027 subject to IHT.

utmost™ WEALTH SOLUTIONS

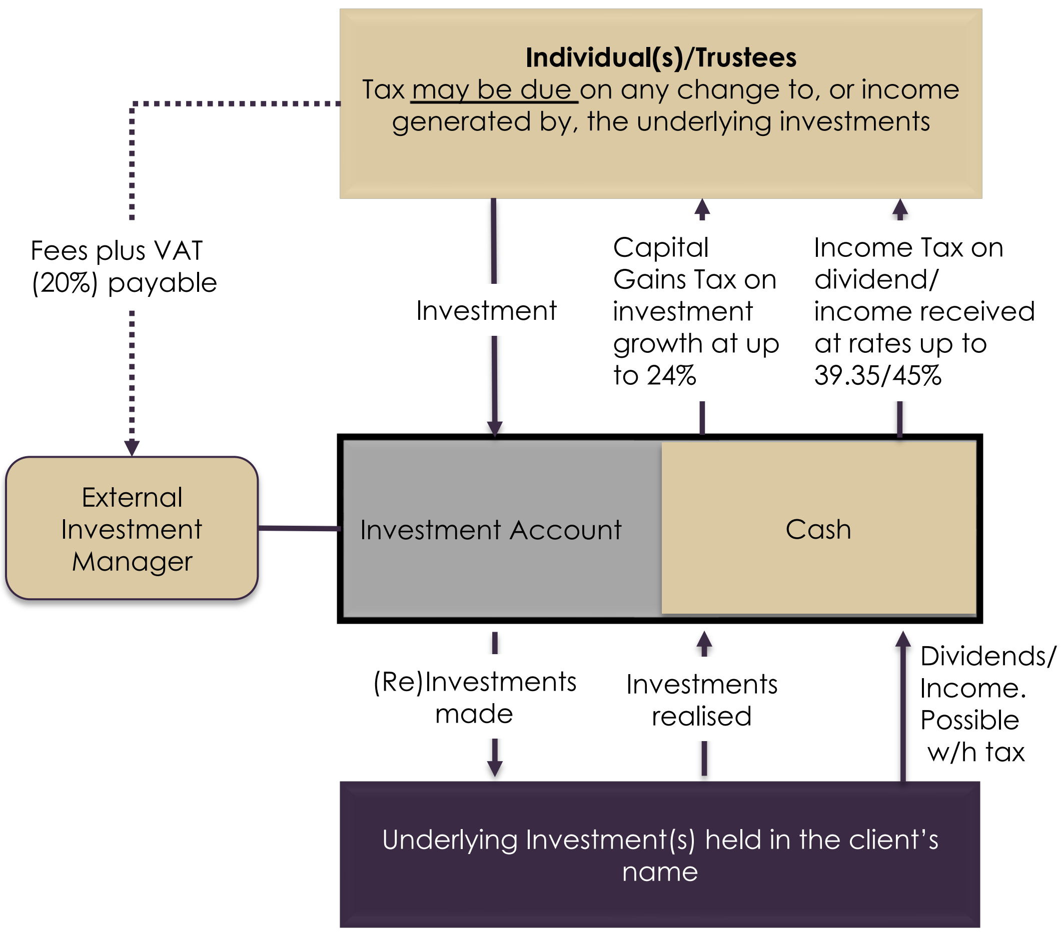
OFFSHORE SINGLE PREMIUM BOND



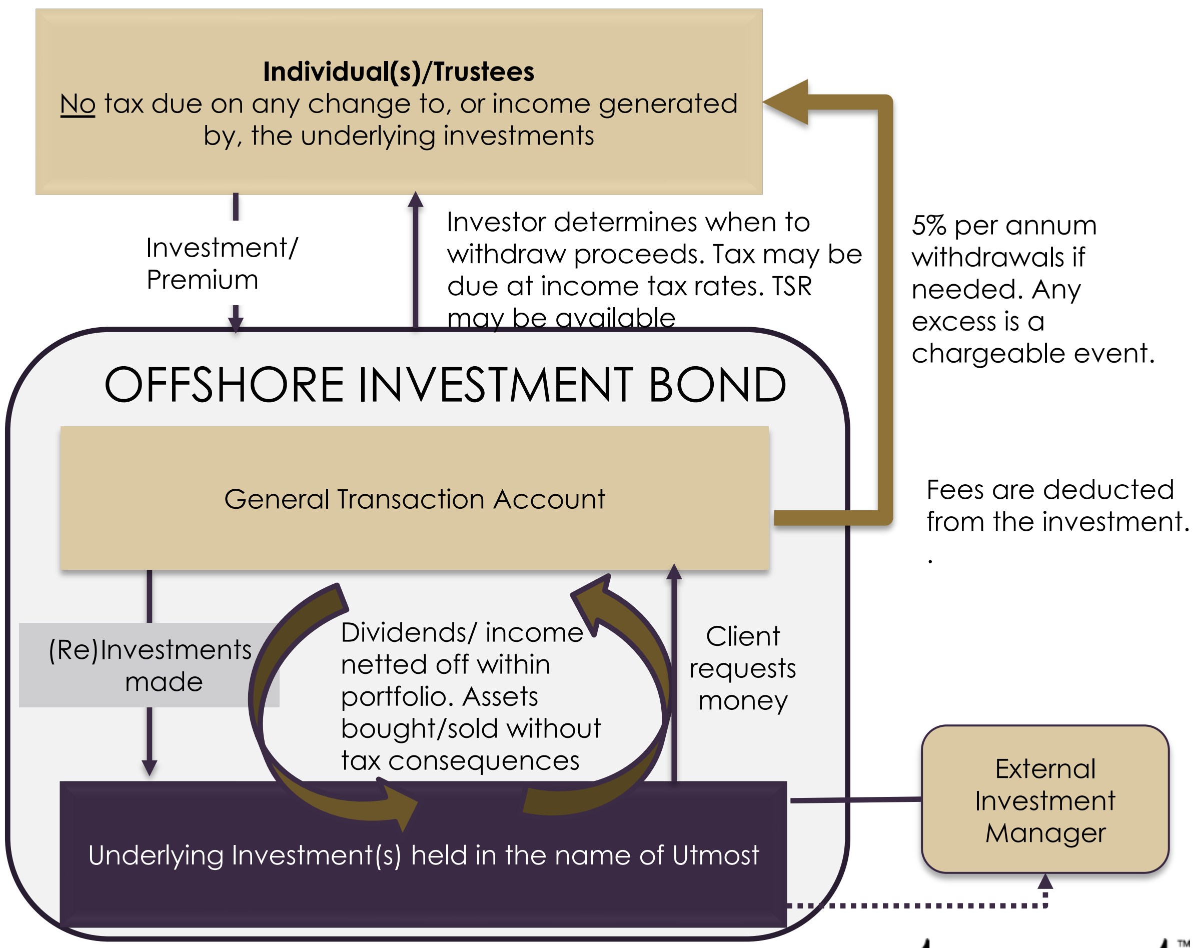
* Net of any withholding taxes

STRUCTURING AN INVESMTENT PORTFOLIO

DIRECTLY HELD PORTFOLIO

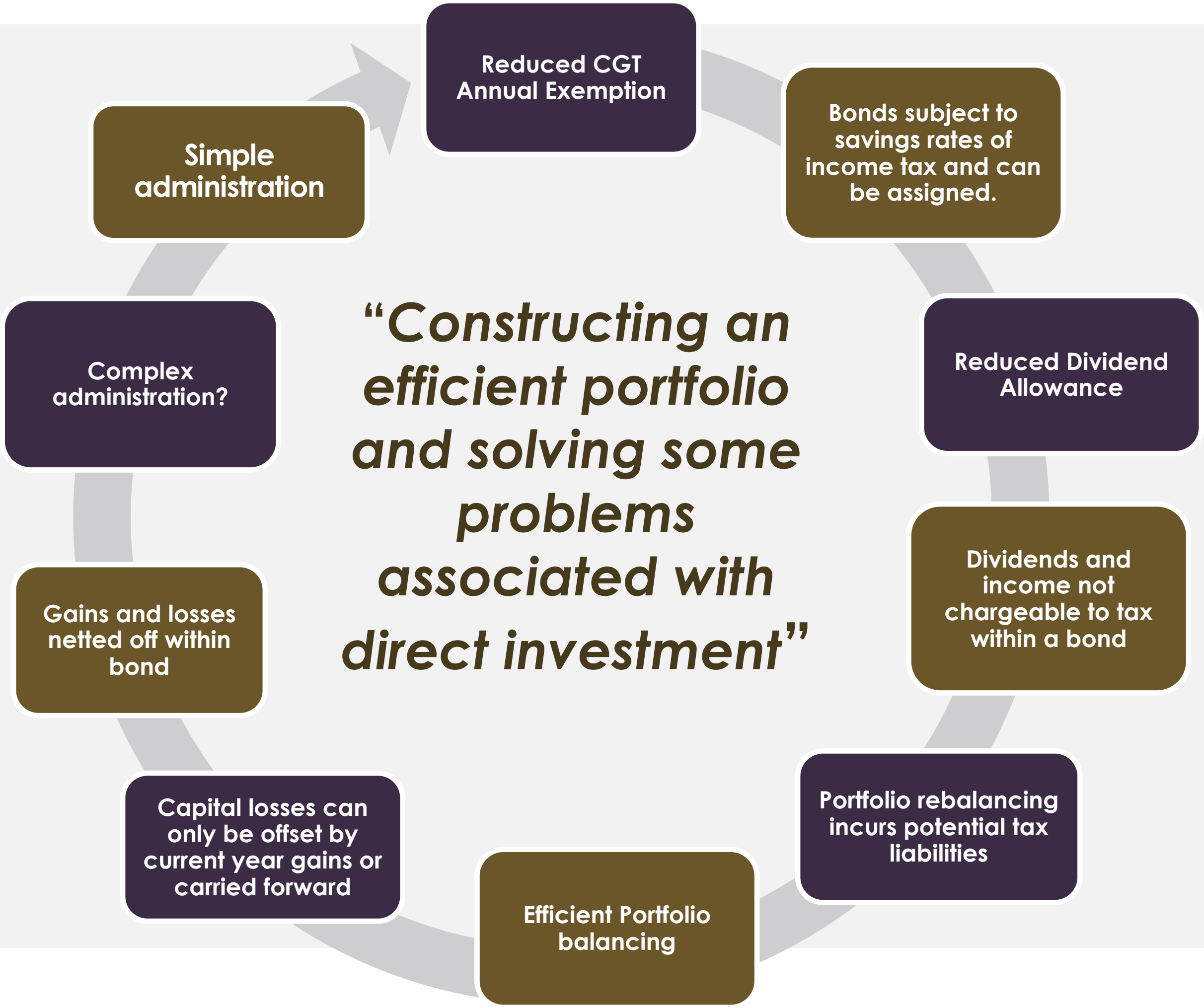


OFFSHORE INVESTMENT BOND



PLANNING FOR THE CHANGES TO UK CAPITAL GAINS TAX

THE EFFICIENT PORTFOLIO PLANNING WHEEL

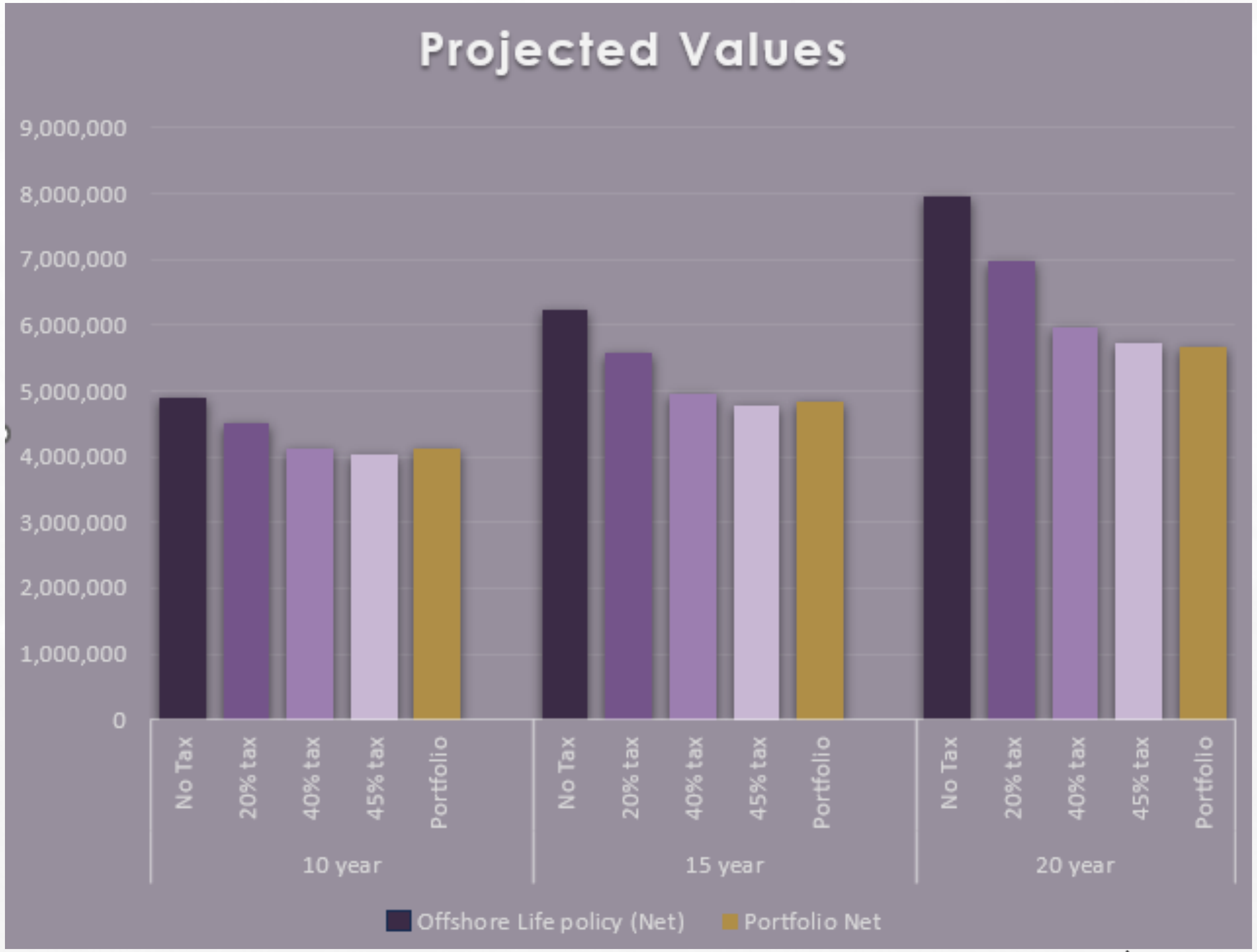


utmost™ WEALTH SOLUTIONS

UNWRAPPED PORTFOLIO VS. A LIFE POLICY

ASSUMPTIONS:

£3m investment
5% pa total growth
3.5% dividend yield
0.5% cash / FI
1% equity gains with
40% annual turnover



utmost™ WEALTH SOLUTIONS

TRUSTEES

DISCRETIONARY TRUST AND BONDS

FEATURE/ASPECT	BENEFIT
Capital redemption bond	Timing of tax management – no surprises
Dividends and income taxable	Tax deferred within bond – improved accumulation?
Assignment	Tax management - Over 18 - utilise beneficiary's income tax allowances. Below 18 – assign to bare trust for non-parental settlements?
Non income producing	Eases administrative burden in terms of self assessment and tax management i.e. tax pool! Improve income position for beneficiaries where dividends distributed.
Open architecture	Helps to meet TA 2000 standard investment criteria

- How often do the trustees use their CGT exemption? (£6,150 at best or £1,230 at worst!)
- How much of portfolio will be turned over every year?
- What is the cost of rebalancing?

utmost™ WEALTH SOLUTIONS

WHO CAN BENEFIT

OFFSHORE BONDS

Personal investment

- UK expats – internationally mobile
- UK RND – arising basis
- School fees funding
- Retirement planning/supplement
- Will be non resident when surrendered
- UK residents managing and deferring taxes.

› **Trustee investment** – reduced administration and potentially tax liabilities.

› **IHT mitigation** – wide range of trusts to wrap around a very flexible engine

IHT PLANNING

FIVE THINGS YOU CAN DO

1. Nothing!
2. Spend your money!
3. Life cover
4. Will planning
5. **Lifetime gifts**

utmost™ WEALTH SOLUTIONS

LIFETIME GIFTS

TRANSFERS OF VALUE

A transfer of value may be wholly or partly exempt. To the extent that it is not exempt, it is then chargeable, or potentially chargeable, to inheritance tax.

1. EXEMPT TRANSFERS INCLUDE:
    a) Transfers between UK long-term resident spouses and registered civil partners - s18 IHTA 1984
    b) Gifts within the annual exemption - s19 IHTA 1984
    c) "Normal expenditure out of income" (NEOI) - s21 IHTA 1984
    d) £250 small gifts - s20 IHTA 1984
    e) Gifts in consideration of marriage/civil partnership - s22 IHTA 1984
    f) Gifts to political parties - s24 IHTA 1984
    g) Gifts to charities or registered clubs - s23 IHTA 1984
2. POTENTIALLY EXEMPT - s3A IHTA 1984
3. CHARGEABLE - s2 IHTA 1984

CHARGEABLE LIFETIME TRANSFERS

- Gifts into discretionary trusts (including any trust where the beneficiary is subject to a power of appointment)
- Gifts into interest in possession trusts from 22 March 2006
- Other gifts or transfers which are not PETs
- Larger CLTs must be declared to HMRC on Form IHT100 and IHT 100a
- Deadline for submissions is 6 months from end of the month in which transfer made.

GIFT THE NIL RATE BAND EVERY SEVEN YEARS

AGE	TAX YEAR	NIL RATE BAND AT TIME (£)	VALUE AT AGE 88 (£)	IHT SAVINGS* (£)
67	2025/26	325,000	905,000	362,000
74	2033/34	350,000	692,000	277,000
81	2040/41	415,000	583,000	233,000
			2,180,000	**872,000**

- £325,000 gifted from this policy – make gifts in future year from other policies 7 years apart?
- As the trusts are seven years apart, they do not interact with each other
- It is assumed that:
  - the nil rate band increases by 2.5% CPI from April 2030
  - 5% p.a. growth is achieved with results rounded to nearest £1,000
  - Figures are rounded to 3 significant figures.

utmost™ WEALTH SOLUTIONS

POSSIBLE CHOICES

THE NIL RATE BAND – LIFETIME GIFTS

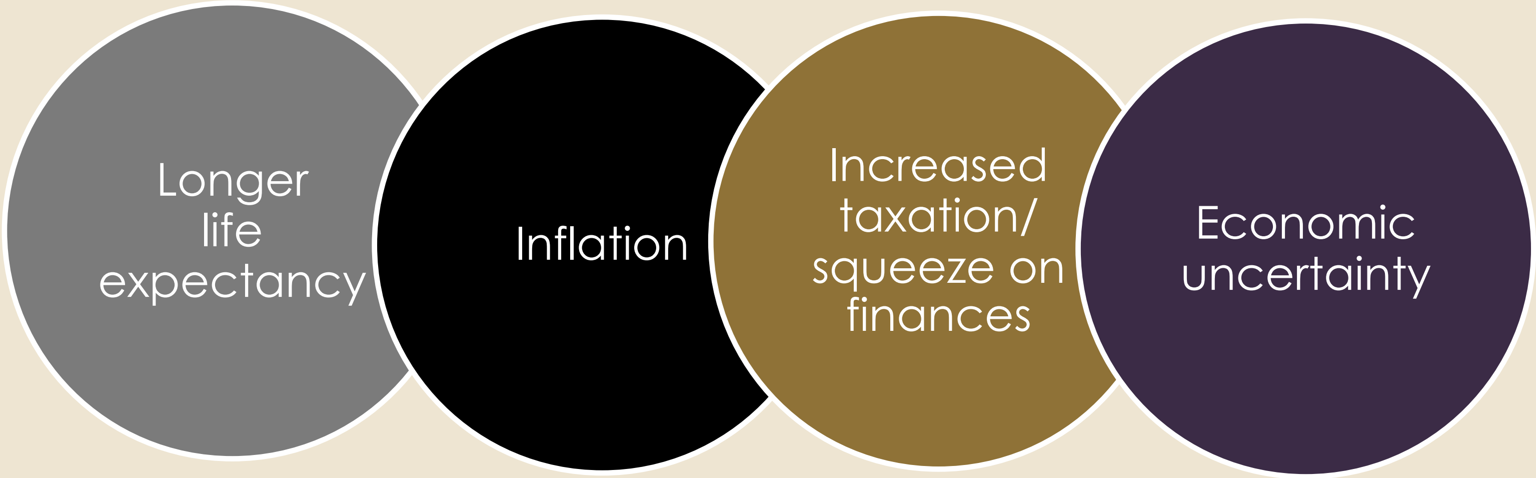
1. **Outright gifts or gifts into trust during lifetime** can be made within the donor's (settlor's)nil rate band. After seven years the gift can be ignored for IHT purposes, the nil rate band "used" in making the gift will be restored.

2. **Loan Trusts** do not usually involve any gift

3. **Discounted Gift Trusts** provide access to a regular flow of payments for the donor

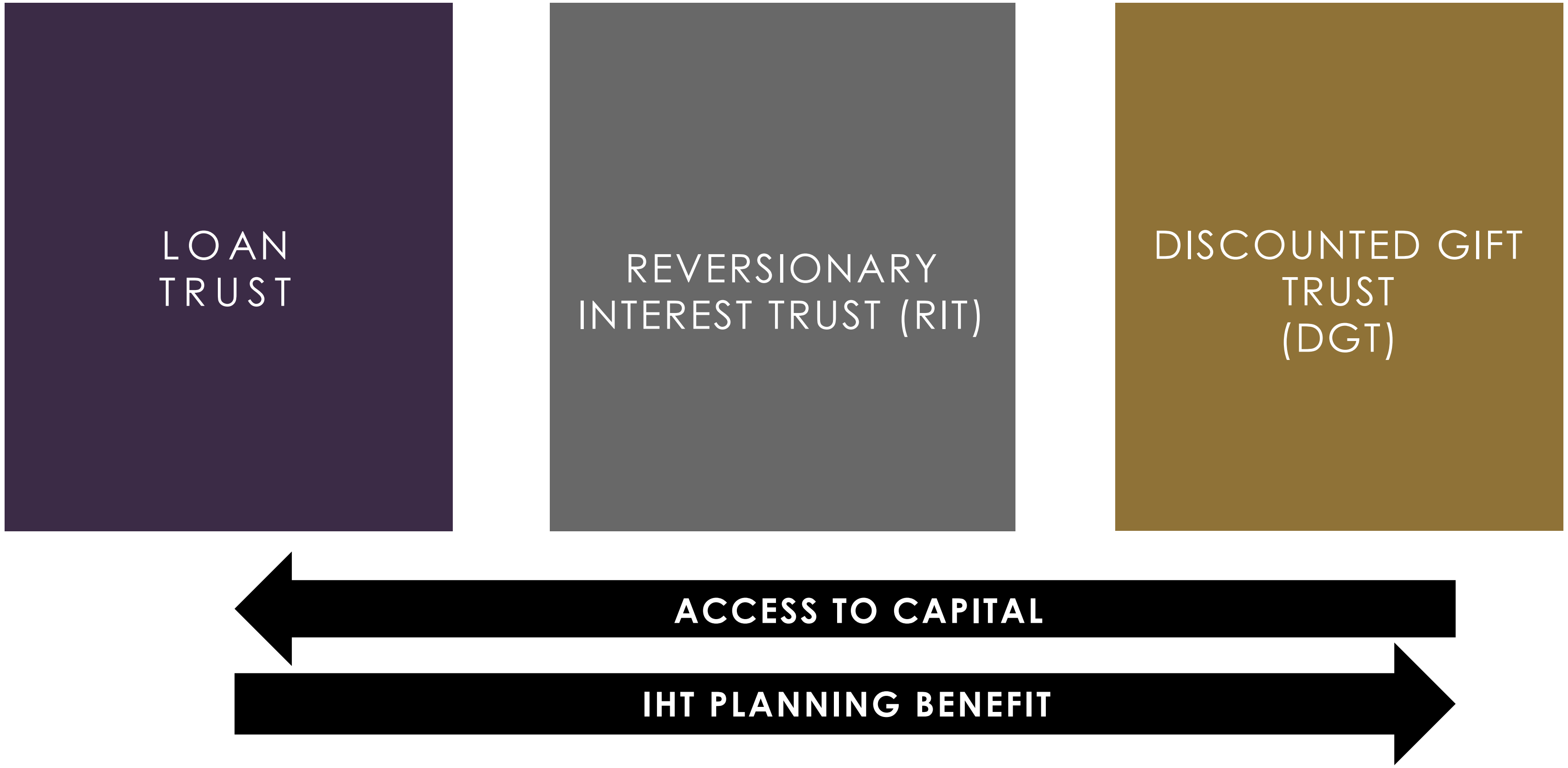
4. **Reversionary interest trusts (Lifestyle Trust)** potentially provide access to the settlor at a future date.

CAN A CLIENT AFFORD TO MAKE GIFTS?



utmost™ WEALTH SOLUTIONS

TRUST BASED IHT SOLUTIONS



WHAT DOES IT DO?

DISCOUNTED GIFT TRUST

- Immediate reduction in the estate.
- The entire investment plus growth outside of estate after 7 years.
- “Income” for life or until prior exhaustion of the fund.
- Growth in a tax efficient environment, if offshore bond used.

utmost™ WEALTH SOLUTIONS

DISCOUNTED GIFT TRUST

SETTLEMENT VALUE

Settlor/Donor

The right to the withdrawals from the underlying Bond prior to it being settled into trust.
The absolute right to these "income" payments but is excluded from benefiting from capital in the trust.

Beneficiaries

- The balance remaining in the trust after the death of the settlor(s)/donor(s) will be held for the beneficiaries in accordance with the type of trust chosen.

DISCOUNTED GIFT TRUST

Consider the discount for a premium of £500,000 for someone aged 75 next birthday, taking 5% withdrawals monthly in arrears

£500,000

Discount
£219,273*

Gift
£280,727*
(CLT or PET)

After 7 years CLT/PET falls outside of estate.
PLUS client has received £175,000 "income"

*Source Utmost Wealth discounted gift trust calculator 13/06/25. Standard terms based upon normal health

HOW DOES THE DISCOUNT WORK?

- On death, Inheritance tax is charged on estate immediately before death - Section 4(1) Inheritance Tax Act 1984 (IHTA '84).

- Section 171 of IHTA '84 states that immediately before death includes those changes in value (increase or decrease) which have occurred by reason of death.

- Under Discounted Gift Trust, the grantee's retained right to the selected level of partial surrenders ceases <u>on</u> death.

- Under operation of IHTA '84, the right is therefore treated as ceasing immediately before death and consequently no value is attributed to the Grantee's fund on the grantee's death.

CAPITAL REDEMPTION BOND

Has no life assured therefore, on death of the investor:

- The bond can continue to provide "income" for beneficiaries.
- Does not have to be encashed at inappropriate time – e.g. when markets are low.

GIFT TRUST

When encashed, tax efficiency can be maximised by:

- Assigning the bond from the trustees to adult beneficiaries if they are not additional rate tax payers - avoiding the trust tax rate of 45%.
- For higher and additional rate tax payers, possibly still better to assign - beneficiary's spouse may not be a higher or additional rate tax payer.
- Overseas residents can encash policy off-shore, avoiding UK tax.

DISCRETIONARY TRUST

PROS	CONS
➢ No beneficiaries with an interest in possession ➢ Ability to change beneficiaries ➢ No assets included in beneficiaries' estate unless distributed by the trustees ➢ Possible future tax planning opportunities	➢ Gifts in excess of the Nil Rate Band are taxable ➢ Potential periodic and exit charges

ABSOLUTE TRUST

PROS	CONS
➢ Gifts are PETs ➢ No immediate IHT charge ➢ No initial reporting ➢ No periodic or exit charges ➢ Totally IHT free after 7 years ➢ Unlimited gift size	➢ Fixed beneficiaries ➢ Tax and admin issues if the beneficiary pre-deceases the donor

WHICH TRUST FOR WHICH CLIENTS?

ABSOLUTE	DISCRETIONARY
➢ Potentially larger amounts ➢ Certainty of beneficiaries ➢ Where the donor’s Nil Rate has already been used	➢ Usually restricted to the settlor’s available Nil Rate Band ➢ Flexibility to change beneficiaries e.g. future grandchildren, changing family circumstances

POSSIBLE INVESTORS?

A person(s) who:

- has cash to invest?
- wishes to reduce inheritance tax immediately?
- is happy to take withdrawals from DGT?
- is happy to only receive fixed or increasing payments from the DGT with no access to capital?
- is in reasonably good health?
- has all or some of their nil rate band available for the discretionary version?
- wants to make a gift but restrict the donee's access?
- in the case of a bare trust DGT, is happy that beneficiaries cannot be changed?

REVERSIONARY INTEREST TRUST

£325,000 investment

Carve out Value
£Nil

Gift
£325,000
CLT

After 7 years CLT falls outside of estate.

A SIMPLE EXAMPLE

HOW THEY WORK IN PRACTICE

- John invests £300,000, split into 600 separate offshore segments which are planned to vest at 60 segments per annum for ten years
- Each segment worth £500 at outset, this the minimum segment value
- 60 segments in each 'policy fund'
- Each policy fund £30,000 at outset.

The second schedule:

Plan number (if known): ABC?123456

or

Application Date: 12/01/22

Policy Number(s)	Total number of policies	Year of Entitlement	Policy Fund
1-60	60	2023	A
61-120	60	2024	B
121-180	60	2025	C
181-240	60	2026	D
241-300	60	2027	E
301-360	60	2028	F
361-420	60	2029	G
421-480	60	2030	H
481-540	60	2031	I
541-600	60	2032	J
			K
			L
			M
			N
			O
			P

A SIMPLE EXAMPLE

HOW THEY WORK IN PRACTICE

INSIDE THE ESTATE

SETTLOR

Any reversions to the settlor (bare trust)

Can be deferred by the settlor, i.e. to a later year.

Are not treated as exits for the purposes of the "relevant property" IHT regime

Income tax only on "growth"

Benefits from top-slicing relief

OUTSIDE THE ESTATE (after 7 years) TRUST

Any policies that have not yet reverted on death

Example £300,000 split 10 x £30,000

60 segments (1 policy fund) vesting every year

Year 1	Year 2
Year 3	Year 4
Year 5	Year 6
Year 7	Year 8
Year 9	Year 10

Policy Fund A
Year 11?

Beneficiaries
Assignments out of trust:

- During settlor's lifetime
- Deemed "exits".

DEFERRED REVERSIONS

No immediate income tax charge

No IHT implications.

INCOME PLANNING AND IHT PLANNING

CASE STUDY

Ian (age 65) and Sophie (age 63), receive inheritances/ sell their business for £2.5M adding to existing personal capital of £1M, totalling £3.5M.

Current IHT liability £1.14M (£3.5M - £650k x 40% = £1,140,000)

Income required in retirement £5k per month (60k pa) net of tax and charges plus access to £300k at all times.

Consider some immediate options and the impact on Ian and Sophia's financial position.

- Income
- Access to capital
- IHT savings.

Is there a way to tick the boxes?

SETTLOR ACCESS

WHAT ARE THE OPTIONS?

Bare or discretionary trust option with 3 levels of 'settlor' access.

OPTION 1

LOAN TRUST

Settlor retains access to the original capital (and/or a variable income) at all times.

CRB

OPTION 2

DISCOUNTED GIFT TRUST

Settlor retains access to lifetime withdrawals. (analogy with an annuity…)

Capital Redemption Bond (CRB)

OPTION 3

GIFT TRUST/ REVERSIONARY INTEREST

Settlor retains access to neither income nor capital but does retain control so trustees can advance to beneficiaries including family members whenever appropriate.

How does this look then in practice?

CASE STUDY: £2.6M CAPITAL FROM INHERITANCES

Settle up 4 trusts for a total of £2.6M

DISCOUNTED GIFT TRUST FOR £1M.

Set up to pay a base income of 3.5%pa (£35k pa)

LOAN TRUST (DISCRETIONARY) FOR £1M.

Set up to pay an income of 2.5%pa (£25k pa)

TWO SINGLE SETTLOR REVERSIONARY INTEREST TRUSTS BOTH £300K

How does the above blend of trusts achieve their income and capital needs along with mitigating IHT?

CASE STUDY: TICKING THE INCOME BOX

£60K pa base income, tax deferred

- Income DGT £35,000p.a.(3.5%pa) plus £25,000pa (2.5%pa) loan repayments from the loan trust
- Plus state pension for Ian in 12 months and for Sophie 3 years from now
- Base income will then be, circa, £85,000 pa but remember extra loan repayments are available of £25,000 (within the trustees 5%)
- **Zero tax incurred year on year. No tax return required.**

CASE STUDY: MATCHING THEIR CAPITAL REQUIREMENT

Access to any outstanding loan

- Access to Capital – 10 years later £250,000 loan repaid. £750,000 still outstanding
- £250,000 can be accessed by the trustee within the 5% allowance
- With the changes to the pension death benefit rules they decide they no longer the loan, after 7 years, decide to accelerate the IHT effectiveness by turning the loan trust into part loan trust part gift trust by using deed of waiver
- No chargeable event but IHT dependent on trust type (Discretionary Trust capped at £325k/£650k and bare trust unlimited PET)
- Could potentially gift loan directly to someone else such as a child (PET).

CASE STUDY: INCOME TAX AND IHT EFFICIENCIES

Reversionary Interest Trust for £300k each to assist with the grand-kids school fees, university, housing ladder, weddings…but also possible access if needed

- Education funding - Deed of Appointment of Absolute Beneficial Interest form that means the assessment is on the child but the capital paid to the Trustees
- Making use of the 5 year old's income tax related allowances (currently £18,570 pa)
- 5%'s allowed to accumulate so can be drawn-down when they are earning/tax-payers.

CASE STUDY: TICKING THE INCOME BOX

IHT SAVINGS – DGT DISCOUNT DAY 1 = £435,529

DONOR	AGE NEXT BIRTHDAY	YEAR(S) ADDED	IMMEDIATE DISCOUNT	GIFT VALUE
Ian	66	0	GBP 214,154	GBP 285,846
Sophie	64	0	GBP 221,375	GBP 278,625

- IHT saving at 40% x £435,529 = £174,211.60
- ALL TRUSTS
  - All growth on £2.6M is outside if Ian and Sophie's estate
  - The value of the transfers not brought into account after 7 years
  - No chargeable event arises on the settlor(s) death (since no lives assured), the trusts and bond can remain in place.

CASE STUDY: RECOVERING THE RESIDENCE NRB ALLOWANCES

Recovering the Residence NRB X 2 lost by tapering

- The premiums to the DGT (£1M) and to the Gift Trusts (£600k) no longer brought into account for RNRB calculation purposes – i.e. estate now less than £2m on second death so RNRB taperingg will not apply
- Their estate value (for RNRB calculation purposes) is now £1.9M (i.e. £3.5M - £1.6M)
- They have recovered the Residence NRB allowances so a further £350k of exempt allowances (2 x £175k) potentially available
- Potentially an extra tax saving of £140,000 (£350k x 40%)
- All achieved while simply matching their income and capital requirements through the remainder of their lifetimes.

OPPORTUNITIES

POST BUDGET PLANNING

- Post April 2027 clients may be running down their pension pots, drawing as much as possible with no tax to pay or no more than basic rate tax to pay.
- Cash flow modelling to determine safe levels of drawdown
- Expression of wishes for death benefits to be settled onto discretionary trust if death occurs before April 2027
- Use tax free cash and ISA capital for IHT planning
- Rebasing existing bonds, utilising the top-slicing relief rules, to minimise any tax liability.
- NEOIA
- Deeds of Variation – trusts, NRB, RNRB.

THE NEW BASIS

UK RESIDENT FOR LESS THAN 10 OUT OF THE LAST 20 YEARS	
UK assets assessable to UK IHT	Non -UK assets not assessable to UK IHT

UK RESIDENT FOR 10 YEARS OR MORE OUT THE LAST 20 YEARS	
UK assets assessable to UK IHT	Non -UK assets assessable to UK IHT

The time an individual remains in scope after leaving the UK will be shortened where they have only been resident in the UK for between 10 and 19 years.

RETURNING TO THE UK WHILST NON-LONG-TERM RESIDENT

NO LIMIT AS TO SETTLEMENT VALUE

Carve out Value
£Nil or £Value of rights

Gift
Value of Settlement exempt

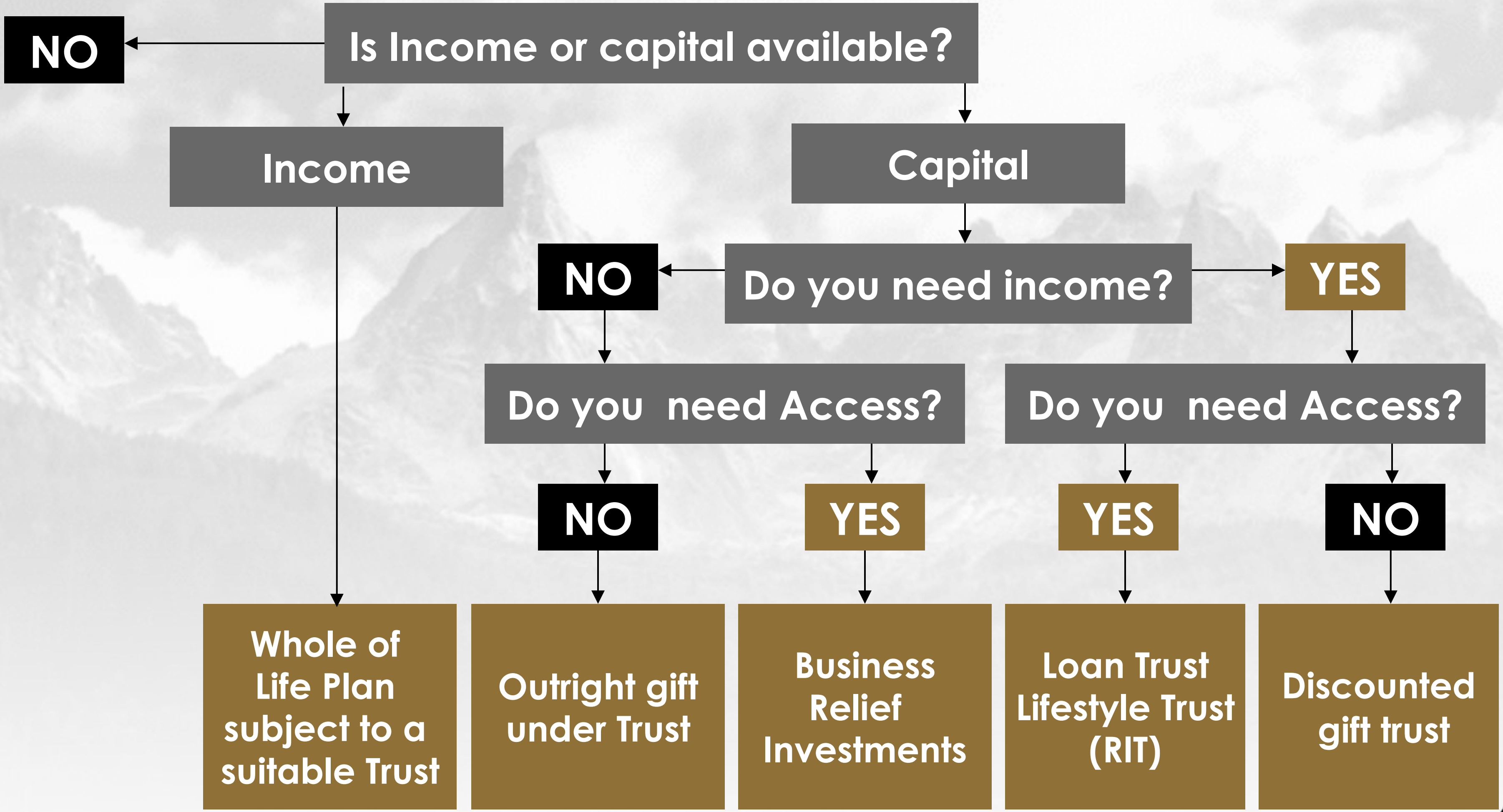
TRUST PLANNING POST 6 APRIL 2025

FOR THOSE WHO MAY RETURN TO THE UK TO LIVE

	LONG TERM RESIDENT (LTR)	NON-LONG-TERM RESIDENT (NLTR)
INITIAL SETTLEMENT	› **DGT** – Nil rate gift planning and initial transfer of value reduced. No gift with reservation issues (GWR) › **RIT** – Nil rate gift planning and able to make gift and retain rights to access without GWR › **DT** – Nil Rate gift planning only.	› Transfer into trust is exempt so no IHT benefit on initial settlement › **No restriction to nil rate band**
RELEVANT PROPERTY	**DGT** reduced by open market rights and full value for **RIT** and **DT**	Excluded property if the settlor is NLTR **and will remain if the settlor dies whilst NLTR!**
AMOUNT SETTLOR CAN ACCESS	› **DGT** - Fixed withdrawals › **RIT** - Segments surrender scheduled at outset by the settlor › **DT** -(loan trust) access to capital only › **DT** - No access assuming settlor cannot benefit (to avoid gift with reservation)	
FLEXIBLE ACCESS?	› **RITs** - Reversionary rights can be deferred by Settlor. › **DGTs** not flexible › **DTs** – no access	

IHT PLANNING

THE OPTIONS



DISCOUNTED GIFT TRUST

CONVERSION GUIDE

- Helpful guide for clients with an existing Evolution & Selection bond, with an IHT liability and wish to convert their bond into a discounted gift trust (DGT)

- The guide explains IHT planning and how DGT's work, including setting up a DGT with Utmost Wealth Solutions.

Download the guide **here**

More technical guides and sales aids are available via our **website**


A WEALTH *of* DIFFERENCE
utmost
WEALTH SOLUTIONS

IMPORTANT INFORMATION

The information contained in this document does not constitute advice. It is designed for financial adviser use only and is not intended for use with individual investors.
Information regarding tax and practise is based on our interpretation of current legislation and HM Revenue & Customs policy/practice in the UK, Isle of Man and Ireland as at 19 May 2025. Tax treatment is subject to change and individual circumstances. There is therefore a risk that the value of the tax treatment provided by a bond may change.

International bonds are intended to be a medium (at least 5 years old) to long term (over 10 years) investment. The value of investments may fall as well as rise and is not guaranteed. Your client or their trustees may get back less than originally invested.

www.utmostinternational.com

Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

Utmost International Isle of Man Limited is registered in the Isle of Man under number 024916C. Registered Office: King Edward Bay House, King Edward Road, Onchan, Isle of Man, IM99 1NU, British Isles. Tel: +44 (0)1624 643 345. Licensed by the Isle of Man Financial Services Authority.

Utmost Wealth Solutions is registered in the Isle of Man as a business name of Utmost International Isle of Man Limited.

Utmost PanEurope dac is regulated by the Central Bank of Ireland (No 311420). Its registered office is Navan Business Park, Athlumney, Navan, Co. Meath C15 CCW8, Ireland. Utmost PanEurope dac is a Category A Insurance Permit holder with the Jersey Financial Services Commission.

Utmost Wealth Solutions is registered in Ireland as a business name of Utmost PanEurope dac.

utmost™
WEALTH SOLUTIONS