For financial advisers only.

Six reasons why onshore bonds

Quilter

1. Tax deferral /control

Due to the unique tax rules which apply to an insurance policy, your client will only be assessable for tax when there is a chargeable event – for example, withdrawals over the 5% allowance. As the client controls when these events happen, it means they also control when they need to report and pay tax.

2. Flexible withdrawal options

There are a number of ways your client can withdraw money from their bond. A key benefit is the 5% withdrawal allowance each year for 20 years, which can be taken monthly or quarterly or deferred to later years. Your client can also withdraw a lump sum from across all policies, encash whole policy segments, or surrender the bond. Our bond comprises of 1,000 policies to provide maximum flexibility.

3. Top slicing relief

When there is a chargeable event, any tax your client owes can be reduced through top-slicing relief (TSR). TSR is available to reduce or avoid higher rate or additional rate income tax arising as a result of a chargeable event gain. TSR provides relief by calculating tax as if the gain was made in each of the complete years your client has held the bond rather than the gain just being realised in one year.

Six client benefits of using an onshore bond

4. Assignment

Your client can transfer the ownership of the bond, or policy segments within the bond, by assigning it to a new owner – e.g. to a loved one or into a trust. Assignments are a tax efficient way of transferring wealth as it's not deemed a chargeable event for the client, so there is no tax for them to pay.

5. Trust planning

Bonds and trusts are the perfect partnership. Your client can place the bond into trust at any point, without triggering a chargeable event. Using a bond allows the trustee to make tax efficient distributions to beneficiaries, either by utilising the 5% withdrawal allowance or by assigning policy segments. As there is no tax to pay on an arising basis it is simpler for the trustees to manage, with less administration.

6. Added benefits on a platform

As our bond is fully integrated on our platform, it is easier for you and your client to transfer money between product wrappers and create an aligned investment strategy across all wrappers. Your clients will also benefit from a more cost-effective solution, including aggregated wrapper charging and family linking.

Information is based on our current understanding of HMRC tax practice as at September 2024. The value of investments may fall as well as rise and investors may not get back what they put in.

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