

# Estate Management Bond



*expert financial navigation*



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# Corporate values



The IOMA Group aspires to a number of core corporate values. These are:

- Client Focus
- Open Communications
- Corporate Integrity
- Continued Improvement
- Innovation
- Teamwork
- Commitment

# Introduction



You may consider you don't have enough wealth for Inheritance Tax (IHT) to be an issue but once the value of any property, cars, life assurance and other assets have been considered, your assets may well exceed the IHT threshold termed the Nil Rate Band\*. Any assets in excess of the Nil Rate Band may be liable to a tax charge of 40%.

One of the simplest ways of mitigating this potential tax is to give assets away via a Chargeable Lifetime Transfer (CLT) within the available nil rate band. This is a gift that, provided it is not compromised by a 'gift with reservation', falls outside of your estate after seven years.

However, following legislation changes the rules have been altered so that making a CLT has become much more limited.

This is particularly the case where you want to control who receives your legacy and when you want them to benefit from it. Furthermore, very few people are in the position where they are able to make a gift and afford to lose all the potential income that those monies may provide.

With this, and the change in legislation in mind, Isle of Man Assurance Limited, trading as IOMA Life ("IOMA Life"), has designed the Estate Management Bond.

\*Nil Rate Band threshold changes each year. Please speak to your adviser to confirm the current value of the Nil Rate Band.

# Introduction to the Estate Management Bond



The Estate Management Bond (the "Bond") is a life assurance bond which has a variety of benefits that may be payable to you during your lifetime, as well as benefits payable to your heirs after your death.

The Bond allows you to:

- potentially reduce your IHT liability;
- retain some access to your money for your own purposes; and
- distribute the inheritance you intend for your beneficiaries in a controlled manner via Trustees of your choosing.

# Key benefits of the Estate Management Bond



Due to the way the Bond and Trust are structured they bring a variety of key benefits:

- facilitate a gift of the death benefit of the Bond to your nominated beneficiaries via a specially designed Trust. This is deemed a CLT for IHT purposes;
- allows money to be paid to you during your lifetime on dates and to an approximate value selected by you at outset;
- permit your Trustees to delay taking the money you indicated if in fact you do not require it at that time;
- have an extensive range of fund options, which accumulate tax-free; and
- enable your Trustees to control when your nominated beneficiaries receive their inheritance in an efficient manner after your death.

# How does the Estate Management Bond work?



You invest the amount available for IHT mitigation into the Bond which consists of a series of non-surrenderable endowment policies. You then select the term of each policy so that they mature at predetermined dates in the future in line with the policy anniversaries. The dates of these maturities will match, as closely as possible, future requirements for capital: for example, school fee planning for grandchildren, to pay for anniversary or other family celebrations or to enable further IHT planning.

Your Trustees are permitted to make regular withdrawals of capital from the Bond. These are limited to a maximum of 1.5% per annum. You are strictly excluded from benefiting from this withdrawal facility.

The Bond is assigned into Trust and control of the Bond and its investment will fall to your chosen Trustees. This is a Chargeable Lifetime Transfer (CLT) so if the value of the gift (adding in the value of any previous CLTs within the last seven years) is not in excess of the Nil Rate Band\*, it will not be subject to the 20% CLT charge.

On each policy anniversary date your Trustees will have to decide whether to allow any maturities to proceed or make policy deferrals.

The Trustees have the ability, if they consider that you no longer require the maturing money, to extend the maturity date of that policy, subject to your needs. This option is available on each and every policy and your Trustees will be reminded of this by IOMA Life, prior to each maturity date, to ascertain whether the maturity should be taken or delayed. The amount payable at each maturity date may depend to a certain extent on the investment return from the assets in the policies.

\*Nil Rate Band threshold changes each year. Please speak to your adviser to confirm the current value of the Nil Rate Band.



# How does the Estate Management Bond work?



You should note that you have no other access to your investment (except on the selected maturity dates) and you cannot bring a maturity date forward. You will also be responsible for paying any income tax liabilities arising from gains on maturing policies.

The Bond is written on your life and, upon your death, the Trustees may distribute the Trust to your named beneficiaries.

Since the gift is a CLT it is important that the Trustees are aware of any distributions that may be subject to a potential tax charge. It is IOMA Life's current understanding that any maturities taken will not be subject to an exit charge and the value of maturities taken will not be accumulated for the purposes of calculating any potential ten year anniversary charges.

Any maturity that is extended will not be deemed a new CLT.

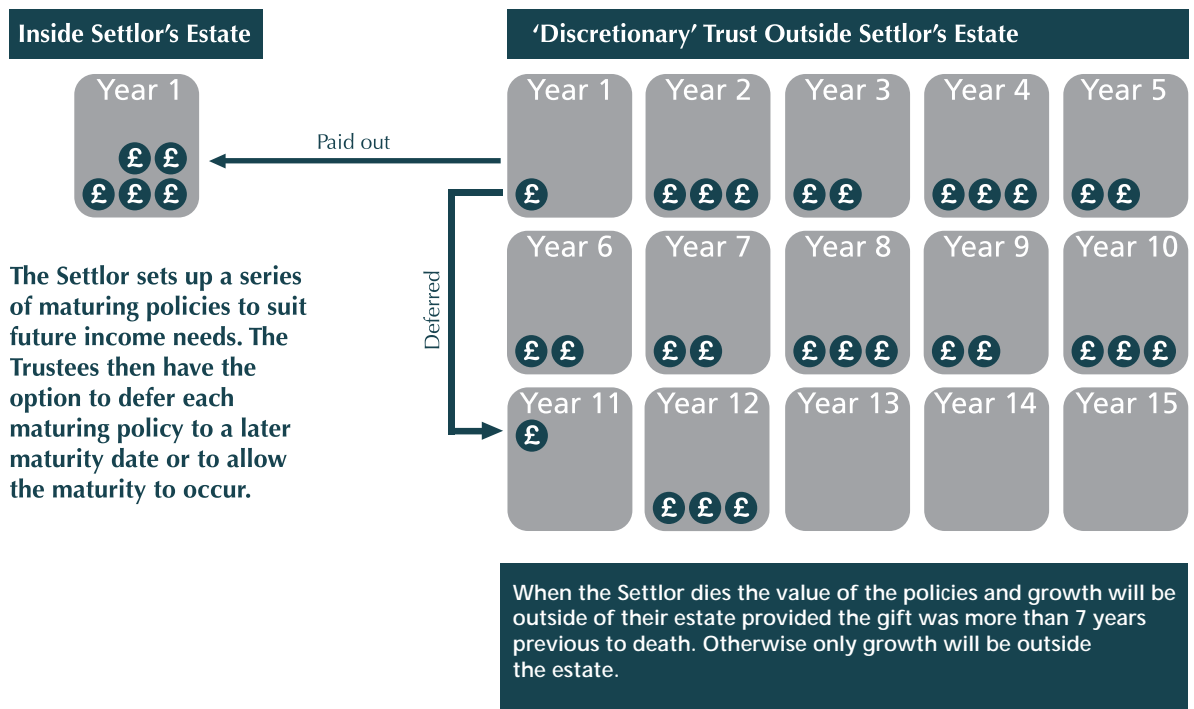
For detailed information on how the Bond will impact on your personal circumstances, and the IHT treatment thereof, you must seek professional advice.

IOMA Life does not give investment advice, legal advice or tax advice and can accept no responsibility for the tax implications for any Bond owner in any jurisdiction.

# How does the Estate Management Bond work?



Each Policy has a death benefit and a maturity benefit. The death benefit is gifted away and the maturity benefit is retained by the Settlor. The initial gift is a Chargeable Lifetime Transfer. Deferrals are NOT further transfers.



# Fund options



The Bond allows you to invest in cash or a range of pooled fund investments (e.g. unit trusts, OEICs and mutual funds). You have a number of choices for how you select your investments:

- **Appointed Adviser:** in conjunction with your adviser you decide your risk profile. Collectively you and your adviser select funds to match that risk profile. Your adviser will then place the trades on your behalf for those funds you have decided to invest in via IOMA Life or its nominated custodian.
- **Discretionary Manager:** you appoint a discretionary manager (subject to agreement by IOMA Life) to select the funds they think appropriate for the investment strategy that you agree with that discretionary manager. The discretionary manager will also provide the custody for your investments held in the Bond via IOMA Life.

There is virtually no limit to the different fund options that IOMA Life permits – for complete details please contact your financial adviser or IOMA Life.

# Are there any other tax benefits?

In addition to the IHT benefits outlined earlier, there are also some other taxation benefits.

As IOMA Life is an Isle of Man company, it is not liable to corporation tax, capital gains tax nor income tax in respect of the assets allocated to your Bond. It is not required to deduct tax at source on behalf of investors or their taxation authorities so your wealth rolls up tax-free. The only exception may be withholding tax, which is tax withheld by some countries on dividend income and interest.

Income tax is payable by you on any gains made within any policies that mature. The amount of any gain is added to all other income received in the tax year in which the maturity occurs and is subject to the relevant marginal rate of income tax. There is no basic rate tax credit for any underlying tax (because IOMA Life does not pay any), but if you are a borderline higher rate or a borderline additional rate taxpayer "top slicing" relief is currently available and this allows for a calculation to average the gain over the complete number of years the policy has been in force.

IOMA Life will issue a chargeable event certificate containing details of any gains made on payment of maturity. A copy may also be sent to HM Revenue & Customs.

# Investor protection

IOMA Life is authorised and regulated by the Isle of Man Financial Services Authority (IOMFSA)

The Estate Management Bond is underwritten and issued by IOMA Life based in the Isle of Man. As an established offshore investment centre with a stable and independent legal, political and regulatory framework and with confidentiality maintained, the Isle of Man provides an ideal location for investment.

The Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991 protect eligible investors by providing a statutory guarantee equal to 90% of the amount of any liability of an insurance company under any life policy. This compensation, without limit, would be payable in the unlikely event that the insurer became unable to meet its liabilities.

However, the compensation is not payable in the event of the failure of providers of underlying investments selected by you or your adviser and held within your Estate Management Bond. Alternative compensation arrangements may apply in such circumstances and you should seek further details from your adviser.

# The charges



## Initial Charges

An Initial Charge as outlined in the table below will be levied on all premiums paid into your Bond.

Premium	%
£100,000 - £249,999	1.25%
£250,000+	0.5%

## Annual Management Charge

An annual management charge of currently 0.75% p.a. will be levied on the value of your Bond. This charge will be deducted proportionately, quarterly in arrears.

## Monthly Policy Administration Charge

In addition, there is a monthly policy administration charge of currently £8.10 per month. This charge is accrued daily and deducted quarterly in arrears.

# The charges



## Custodian and Dealing Charges

All dealing and custody charges levied by any third party which IOMA Life appoints to deal with the investments allocated to your Bond will be payable out of such investments. Details of up to date charges are available from IOMA Life on request.

## Fund Management Charges

There will be charges within the fund options you select for investment within your Bond levied by the managers of those funds. Further details can be obtained from IOMA Life or your adviser.

# How to apply



Applications for Bonds can only be made by an individual. Individuals must be over the age of 18 and under 85. Individuals over the age of 85 may apply to IOMA Life, but acceptance of the application may be on non-standard terms.

The minimum investment is £100,000, unless otherwise agreed, and there is no maximum. You may invest by cheque, banker's draft or electronic transfer.



# Further information

The information contained in this document is based on IOMA Life's understanding of law and taxation practice in the Isle of Man and the UK as at December 2018. Whilst this interpretation is believed to be correct, the taxation position of the Bond in the UK, the Isle of Man and any other jurisdiction relevant to you is not guaranteed and is subject to changes in legislation. IOMA Life is unable to provide taxation advice and you are therefore strongly recommended to consult a professional adviser to satisfy yourself as to your tax position.

This brochure should be read in conjunction with the Key Information Document for the Estate Management Bond and the appropriate application form.

The Policy Terms and Conditions and Policy Schedules contain the full terms of the contract between you and IOMA Life, a copy of which can be obtained from IOMA Life upon request.

IOMA Life is authorised by the Isle of Man Financial Services Authority (IOMFSA) and eligible policyholders receive the protection of the Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991. These regulations apply to all policies issued after 5th April 1988. Holders of policies will not however be protected by the UK Financial Services Compensation Scheme should the company be unable to meet its liabilities.

Past investment performance is not necessarily a guide to future performance.

IOMA Life is not subject to the same regulatory system as that applicable in the UK and the rules and regulations made by the Financial Conduct Authority under the Financial Services and Markets Act 2000 for the protection of investors may not apply to persons outside the UK.

IOMA Life does not give investment advice, legal advice or tax advice and can accept no responsibility for the tax implications for any Bond owner in any jurisdiction.

## Further information



The UK Finance Act 1998 (" the Act" ) contains provisions pursuant to personal portfolio bonds. Whilst every effort has been made to ensure that the Bond does not constitute a personal portfolio bond, IOMA Life is not providing any advice as to the tax implications of investing in the Bond.

The UK Finance Act 1998 further requires that, in certain circumstances, IOMA Life must disclose information concerning UK resident policyholders to the UK HM Revenue & Customs. This disclosure may be required when an event occurs which results in a gain being realised. Disclosure will be dependent upon the amount of any gain and whether or not we are aware or believe that the policyholder was resident in the UK at the time the event occurred.

Your tax position will depend on a number of factors including your personal circumstances and you must obtain advice from your own financial adviser, both at outset, and throughout the life of your Bond. In particular you should ensure that you are able to satisfy any local tax, exchange control or insurance legislation or regulations applicable.

# About the Isle of Man



The Isle of Man has established itself as the pre-eminent international financial centre as a result of its stable and independent legal, political and regulatory framework. Its benefits are as follows:

- It has an Aa2 credit rating by Moody's.
- It is completely independent on matters of direct taxation.
- It is not a member of the European Union, but enjoys a special relationship through protocol 3 of the United Kingdom's Treaty of Accession of 1972.
- It affords eligible policyholders of Isle of Man life assurance companies the security provided by the Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991.
- It enacts its own legislation, generally based on English Law, applied by its own judiciary.
- Its Parliament, Tynwald, is the oldest continuous democratic government in the world.

# Contact us



For further information on the Estate Management Bond please contact your financial adviser, or IOMA Life:

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Website: [www.iomagroup.co.im](http://www.iomagroup.co.im)

# Who is Isle of Man Assurance Limited?



- Isle of Man Assurance Limited, trading as IOMA Life, is the oldest independent insurance company in the Isle of Man.
- A company with over 40 years of success in international financial services.

## Solvency facts

- IOMA Life seeks to mainly write unit-linked business within its long term business and does not look to accept any major or undue risk onto its balance sheet.
- The IOMFSA require all life companies to satisfy a minimum risk based capital requirement.
- The IOMFSA monitor this solvency quarterly.
- IOMA Life is required to have an independent actuarial report undertaken annually on the assets it owns.

## Financial strength facts

AKG Actuaries and Consultants Limited provide financial strength reports on the offshore long term insurance industry. The firm rates:

- IOMA Life's Unit Linked Financial Strength as Good.
- IOMA Life's quality of service, something the company prides itself on, Very Good.

# Who is Isle of Man Assurance Limited?



## Investor protection

- The Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991 provide protection for eligible policyholders.
- Eligible policyholders are entitled to compensation equal to 90% of policy value in the event of the insurer being unable to meet its liabilities.
- This protection is in place irrespective of the size of the life insurance company in the Isle of Man.

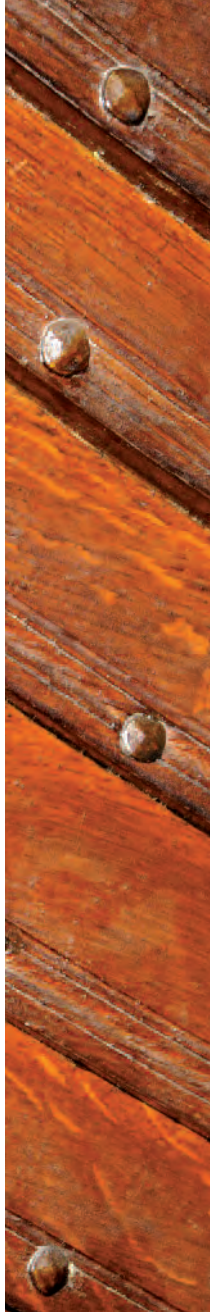
## Who regulates IOMA Life?

- Isle of Man Financial Services Authority (IOMFSA) regularly audits the management and financial strength of all authorised insurers.

## Disclaimer

Isle of Man Assurance Limited, trading as IOMA Life, cannot accept responsibility for the use of any or all of this material. References to legislation and taxation in this material is not intended to and shall not in any way constitute advice or an invitation to invest in any of the insurance or investment products mentioned. IOMA Life is not authorised to advise on matters of taxation and as such accepts no responsibility as to the tax situation of any product mentioned in this material and cannot guarantee the tax treatment of any product by any taxation authority.





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Isle of Man Assurance Limited ("IOMA") trading as IOMA Life and IOMA Insurance. Authorised and regulated by the Isle of Man Financial Services Authority. A list of the names of directors and officers of the company is available for inspection at the registered office of the company. Company registered in the Isle of Man No. 003792C. Registered Office: IOMA House, Hope Street, Douglas, Isle of Man, IM1 1AP, British Isles Tel: +44 (0) 1624 681200 Fax: +44 (0) 1624 681391. E-mail: [info@iomagroup.co.im](mailto:info@iomagroup.co.im) Web: [www.iomagroup.co.im](http://www.iomagroup.co.im)

IOMA Life does not give investment advice, legal advice or tax advice and can accept no responsibility for the tax implications for any Bond owner in any jurisdiction.