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IHTB10030 – April 2019

Suitability Report paragraphs – Trusts for Inheritance Tax Planning

We appreciate that you'll have carefully considered their personal and financial circumstances, financial needs, priorities and risk profile when giving your clients a personal recommendation.

These paragraphs are designed to help you prepare your suitability report for your client. They're not intended to form the full content of the suitability letter. It is your responsibility to ensure that the report includes your client's demands and needs, why you consider the product is suitable on the basis of the information that they have provided to you and makes clear any disadvantages that the product has.

Please note that if you use these paragraphs, or similar text for any reason, you are responsible for ensuring that they are compliant. Whilst every care has been taken to ensure that accuracy of the following information, Prudential can accept no liability if you decide to use it.

These paragraphs are suitable for UK resident investors only.

The value of investments can go down as well as up and you or your beneficiaries may not get back the full amount of your investment.

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PRODUCT INFORMATION	
Trust Range	Prudential has a range of trusts to cater for a variety of Inheritance Tax planning needs.
PRUDENCE INHERITANCE BOND	
Product description	Prudence Inheritance Bond is designed to allow the customer to retain a payment stream throughout their lifetime and to provide the potential for capital to grow outside their estate. It consists of two plans: a whole of life plan and an endowment plan. The whole of life plan is written under the Prudence Inheritance Bond Trust to allow you to gift capital to your beneficiaries. The endowment plan provides you with a regular payment stream. Aims: The bond aims to reduce the customers liability to Inheritance tax (IHT), and provide them with regular payments from the investment until their death or the bond anniversary following their 105th birthday. Provides the potential for long term capital growth on the investment and provide a payment of capital to one or more people (known as beneficiaries or beneficiary) on their death. Commitments: Invest a single payment of at least £15,000 (after deduction of any set up adviser charge). Customer chooses whether to use an absolute trust or a discretionary trust. Risks: The value of investments, is not guaranteed and may go down as well as up. The customer may get back less than they have paid in.
Minimum investment	The customer needs to invest a lump sum of at least £15,000
Accessibility	The customer is happy to give up all access to capital. They want the opportunity to take the natural income that the investment generates. They want the capital to go to their beneficiaries after their death.
The investment	Under the whole of life plan, capital is invested in the Prudence Inheritance Bond Capital fund with a broadly equal split between UK equities (stocks and shares) and UK bonds (fixed interest investments). *The value of investments can go down as well as up and is not guaranteed and you or your beneficiaries may not get back the full amount of your investment.*
Withdrawal flexibility	The customer has flexible withdrawals choices: they can take all the natural income generated by their investment, cap it at 5% a year and reinvest any balance, or reinvest all the natural income. They can reinvest in up to three Prudential funds and withdraw some or all of any re-invested natural income at any time.
Tax - efficient withdrawals	In each policy year they can receive distributions of the natural income of up to 5% of their initial

	investment into the endowment plan without having an immediate Income Tax liability. If all this allowance is not used in one policy year, it is carried forward to future years, until they have received the equivalent of 100% of your investment into the endowment plan. Please note that if they select Ongoing Adviser Charges, these are paid out of the natural income generated and will count against their 5% withdrawals limit. *This information is based on our current understanding of current taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice. The impact of taxation (and any tax reliefs) depends on individual circumstances.*
Tax efficiency on death	Prudence Inheritance Bond (PIB) has been designed so that there will not normally be an Income Tax charge at your death. A charge will arise if the total payments they have received are more than their initial investment and they are liable to Income Tax above the basic rate. The tax would be charged only on the difference between the sum of the total payments and the initial investment. *This information is based on our current understanding of current taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice. The impact of taxation (and any tax reliefs) depends on individual circumstances.*
Beneficiaries	(For an absolute trust) The customer does not not wish to change the beneficiaries or their share of the trust fund in future. If or when their beneficiaries have legal capacity they have the right to demand their share of the trust fund. (For a discretionary trust) They want to retain flexibility over who benefits, by how much and when. *This information is based on our current understanding of current taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice. The impact of taxation(and any tax reliefs) depends on individual circumstances.*
Inheritance Tax treatment	Any value that remains in the endowment plan at their death will be part of their estate and may be liable to Inheritance Tax. It is not beneficial to let the value of the endowment build up to an extent that the Inheritance Tax advantages of Prudential Inheritance Bond (PIB) are negated. (For an absolute trust) The discounted value of the capital they put into the bond, less any available exemptions, counts as a potentially exempt transfer. After seven years there will be no Inheritance Tax liability on it. Should they die within seven years of creating the trust, Inheritance Tax may arise if the discounted value of the gift, added to any other relevant gifts made within the last seven years of death, is more than their nil rate band allowance. Any growth on their investment will be outside their estate and not

	liable to Inheritance Tax at your death. (For a discretionary trust) The discounted value of the capital they put into the bond, less any available exemptions, is a chargeable lifetime transfer. This may give rise to an immediate charge if the discounted value, added to any other relevant gifts made within the last seven years, is more than their nil rate band allowance. Should they die within seven years of creating the trust, there may be an additional charge. There will be tax due if the trust fund value at the 10th anniversary exceeds the nil-rate band at the 10th anniversary. Note that the nil-rate band is reduced by any capital payments subject to exit charges in the first 10 years. Likewise, chargeable transfers made by the settlor in the 7 years prior to set up will also reduce the nil-rate band. There may be an exit charge on capital distributed from the trust. *This information is based on our current understanding of current taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice. The impact of taxation(and any tax reliefs) depends on individual circumstances.*
Terms and conditions	Full terms and conditions for Prudence Inheritance Bond are available on request.
LOAN TRUST	
Accessibility	The customer wants to have access to their capital, but they are prepared to give away any investment growth on it. All the investment growth will be for the benefit of their beneficiaries. They can access their capital at any time, through regular withdrawals, in lump sums or a combination of the two. Once all of the original capital has been returned to them, they are no longer able to receive any further payments.
How the trust works	The customer set up the trust by making an interest-free loan to the trustees who then apply for an investment as detailed below. The loan is repayable on demand. They can access their capital through repayments of this loan. Any investment growth they may receive on their capital remains in the trust.
Investment choice	The Loan Trust provides the opportunity to invest in a bond from Prudential or Prudential International. These bonds will have diversified investments, which can help to spread the risk. *The value of investments can go down as well as up and you or your beneficiaries may not get back the full amount of your investment.* *In the case of funds denominated in currencies other than sterling, changes in the rates of exchange between currencies may affect the value of your investment.*
Beneficiaries	(For an absolute trust) The customer does not wish to change the beneficiaries or their share of the trust fund in future. If or when the

	beneficiaries have legal capacity they have the right to demand their share of the trust fund. (For a discretionary trust) The customer wants to retain flexibility over who benefits, by how much and when.
Inheritance Tax treatment	(For an absolute trust) Any growth on their investment will be outside their estate and not liable to Inheritance Tax on their death. Any growth accrues inside the estates of the named beneficiaries. Any outstanding balance of the loan will remain part of their estate and may be liable to Inheritance Tax. (For a discretionary trust) Any outstanding balance of the loan will remain part of their estate and may be liable to Inheritance Tax. There will be tax due if the trust fund value at the 10th anniversary exceeds the nil-rate band at the 10th anniversary. Note that the nil-rate band is reduced by any capital payments subject to exit charges in the first 10 years. Likewise, chargeable transfers made by the settlor in the 7 years prior to set up will also reduce the nil-rate band. There may be an exit charge on capital distributed from the trust. *This information is based on our current understanding of current taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice. The impact of taxation(and any tax reliefs) depends on individual circumstances.*
<u>PROBATE TRUST</u>	
Accessibility	The customer wants to have access to the bond at any time (at the discretion of the trustees).
How the trust works	The trust is designed for people who want speedy access to the funds on death for their family. The trust avoids the need to obtain a Grant of Probate on death (in respect of the bond) and ensures the proceeds of the bond are paid in accordance with your wishes and without the need for a Will. The trust is NOT designed to reduce Inheritance Tax. It provides no Inheritance Tax advantages. It is not designed for people with a total estate value (including the value of the bond to be placed in trust) over the current IHT allowance of £325,000 (for tax year2017/2018). The trust is discretionary in nature. There is a wide range of potential beneficiaries – including the settlor. The trust can accommodate single owner policies but not jointly owned policies. *The value of investments can go down as well as up and you or your beneficiaries may not get back the full amount of your investment.*
Beneficiaries	The customer wants to retain flexibility over who benefits, by how much and when.
Tax treatment	The death of the sole life assured will trigger a

	chargeable event. The gain is treated as income of the settlor in the year of death. Where there is a second life assured the policy will continue after the first death. If it is surrendered in the tax year in which the settlor died, the tax charge will fall on the settlor. The gift into trust, less any available exemptions, is a chargeable lifetime transfer. This will give rise to an immediate charge if the value, added to any relevant previous chargeable transfers, is more than the nil rate band. On death within seven years there may be an additional charge. There will be tax due if the trust fund value at the 10th anniversary exceeds the nil-rate band at the 10th anniversary. Note that the nil-rate band is reduced by any capital payments subject to exit charges in the first 10 years. Likewise, chargeable transfers made by the settlor in the 7 years prior to set up will also reduce the nil-rate band. There may be an exit charge on capital distributed from the trust. As the settlor is a potential beneficiary, this will be a gift with reservation. The value of the bond will be in the settlor's inheritance tax estate at the time of his / her death. *This information is based on our current understanding of current taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice. The impact of taxation (and any tax reliefs) depends on individual circumstances.*
Investment choice	The Trust provides the opportunity to invest in a bond from Prudential or Prudential International. These bonds can have diversified investments, which help to spread your risk. *This information is based on our current understanding of current taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice. The impact of taxation* *(and any tax reliefs) depends on individual circumstances.*
<u>GIFT TRUST (used with investment bonds)</u>	
Accessibility	The customer is happy to give up all access to their capital. Their beneficiaries may benefit from the trust fund at any time while they are alive, as long as they do not get any benefit from it.
Investment choice	The Gift Trust provides the opportunity to invest in a bond from Prudential or Prudential International. These bonds have diversified investments, which help to spread their risk. *In the case of funds denominated in currencies other than sterling, changes in the rates of exchange between currencies may affect the*

	value of your investment. *Unit prices can go down as well as up.*
How the trust works	The customer can make a gift of the investment bond to the trust. They cannot benefit from the trust in any way, but their beneficiaries may benefit during the customers lifetime or after their death. The trust will continue until the end of the trust period or until all the money in the trust has been paid out.
Beneficiaries	(For an absolute trust) The customer does not wish to change the beneficiaries or their share of the trust fund in future. If or when their beneficiaries have legal capacity they have the right to demand their share of the trust fund.
Inheritance Tax treatment	(For an absolute trust) The capital they put into the bond, less any available exemptions, counts as a potentially exempt transfer. After seven years there will be no Inheritance Tax liability in respect of the gift. Should they die within seven years of creating the trust, Inheritance Tax may arise if the sum they invested, added to any other relevant gifts made within the last seven years of death, is more than your available nil rate band allowance. Any growth on their investment will be immediately outside their estate and not liable to Inheritance Tax. (For a discretionary trust) The trustees decide who benefits, by how much and when. (For a discretionary trust) The capital the customer put into the bond, less any available exemptions, is a chargeable lifetime transfer. This may give rise to an immediate charge if the value, added to any other relevant gifts made within the last seven years, is more than their available nil rate band allowance. Should they die within seven years of creating the trust, there may be an additional charge. There will be tax due if the trust fund value at the 10th anniversary exceeds the nil-rate band at the 10th anniversary. Note that the nil-rate band is reduced by any capital payments subject to exit charges in the first 10 years. Likewise, chargeable transfers made by the settlor in the 7 years prior to set up will also reduce the nil-rate band. There may be an exit charge on capital distributed from the trust. *This information is based on our current understanding of current taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice. The impact of taxation(and any tax reliefs) depends on individual circumstances.*
<u>DISCOUNTED GIFT TRUST</u>	
Accessibility	The customer is happy to give up all access to their capital. They want the opportunity to take regular payments from their investment. They want the capital to go to their beneficiaries after their death. It is possible that the trust could continue after the settlors death.

Investment choice	The Discounted Gift Trust provides the opportunity to invest in a bond from Prudential or Prudential International. These bonds must have diversified investments, which help to spread their risk. *The value of an investment can go down as well as up and is not guaranteed and you or your beneficiaries may not get back the full amount of your investment.* *In the case of funds denominated in currencies other than sterling, changes in the rates of exchange between currencies may affect the value of your investment.*
How the trust works	The customer applies for a bond and ask that it be issued to trustees subject to a pre-selected payment stream. They get a regular payment stream throughout their lifetime (unless the trust fund is exhausted). Their beneficiaries may benefit from modest amounts of capital during their lifetime, at the discretion of their trustees and as long as it will not affect the customers regular payments. After their death, the trust can continue or the trustees can wind it up and pay out the proceeds to your beneficiaries.
Payment flexibility	At the outset the customer must choose the payments they want to receive and how frequently they want them to be paid. Once selected the size and frequency of the payments cannot be changed.
Tax-efficient payments	The customer can receive payments of up to 5% a year of their initial investment without having an immediate Income Tax liability. If they don't use all this allowance one year, they can carry it forward to future years, until they have received the equivalent of 100% of their investment.
Discount	There may be an immediate discount on the value of the customers gift for Inheritance Tax purposes. This will depend on their age and state of health and the size and frequency of the payments you have chosen to take.
Beneficiaries	(For an absolute trust) The customer does not wish to change the beneficiaries or their share of the trust fund in future. If or when their beneficiaries have legal capacity they have the right to demand their share of the trust fund. (For a discretionary trust) The customer wants to retain flexibility over who benefits, by how much and when.
Inheritance Tax treatment	(For an absolute trust) The discounted value of the capital the customer put into the bond, less any available exemptions, counts as a potentially exempt transfer. After seven years there will be no Inheritance Tax liability on it. Should they die within seven years of creating the trust, Inheritance Tax may arise if the discounted value of the gift, added to any other relevant gifts made within the last seven years of death, is more than their available nil rate band allowance.

	Any growth on their investment will be outside their estate and not liable to Inheritance Tax at your death. (For a discretionary trust) The discounted value of the capital you put into the bond, less any available exemptions, is a chargeable lifetime transfer. This may give rise to an immediate charge if the discounted value, added to any other relevant gifts made in the seven years before creating the trust, is more than their available nil rate band allowance. Should they die within seven years, there may be an additional charge. There will be tax due if the trust fund value at the 10th anniversary exceeds the nil-rate band at the 10th anniversary. Note that the nil-rate band is reduced by any capital payments subject to exit charges in the first 10 years. Likewise, chargeable transfers made by the settlor in the 7 years prior to set up will also reduce the nil-rate band. There may be an exit charge on capital distributed from the trust. *This information is based on our current understanding of current taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice. The impact of taxation(and any tax reliefs) depends on individual circumstances.*
EXCLUDED PROPERTY TRUST	
Domicile	The customer is currently non-UK domiciled. They may in future become UK domiciled, or treated as domiciled for Inheritance Tax purposes, or they may have beneficiaries who are UK domiciled.
Accessibility	The customer wants to be able to benefit from the whole trust fund during their lifetime, at the discretion of the trustees (of whom you will be one). The customers beneficiaries may also benefit from the trust while they are alive and will benefit after their death.
Investment choice	The Excluded Property Trust provides the opportunity to invest in a bond from Prudential International. These bonds and OEIC's can have diversified investments, which help to spread the customers risk. *The value of investments can go down as well as up and you or your beneficiaries may not get back the full amount of your investment.* *In the case of funds denominated in currencies other than sterling, changes in the rates of exchange between currencies may affect the value of your investment.*
How the trust works	The customers bond is put into the trust while they are non-UK domiciled. After their death, the

	trust can continue or the trustees can wind it up and pay out the proceeds to the customers beneficiaries
Control	The customer wants the trustees (of whom they will be one) to have control over the trust Investments and flexibility over who will benefit from the trust fund.
Inheritance Tax treatment	Non-UK assets in the trust will be excluded property and will not be liable to UK Inheritance Tax at your death. If the trust continues after your death, any non-UK assets and OEIC's that remain in it will remain excluded property and will not form part of the customers beneficiaries' estates for UK Inheritance Tax purposes. If the trust fund contains only non-UK assets it will not be subject to UK Inheritance Tax. *This information is based on our current understanding of current taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice. The impact of taxation(and any tax reliefs) depends on individual circumstances.*
ABOUT PRUDENTIAL	
Financial strength	Prudential is a financially strong company, demonstrated by the AA (stable outlook) rating (as at April 2017) from Standard and Poor's, an independent ratings agency.
Size and experience	Prudential has 169 years' experience of investment management. The company has £635 billion assets under management (as at 30 June 2017) and offers a wide range of funds to meet differing investment needs.