PRUDENTIAL

5 reasons why an onshore bond may be suitable for your clients

Tax-efficient – Potential for no further tax liability at encashment

If your client currently pays Income Tax at higher or additional rate, but longer term is likely to see his or her income reducing and becoming a basic rate taxpayer, a bond may prove tax-efficient as it offers a deferral. On encashment of the bond, if your client is a basic rate taxpayer (and the gain from the bond, when added to income, does not result in him or her paying Income Tax above the basic rate), there will be no further tax liability.

Ideal for trusts – Easier to administer trust planning

Trusts are a key tool in estate planning. Your clients can transfer bonds without triggering an income tax (or capital gains tax) charge. The administration of a trust is also important. Using a bond as the investment vehicle may simplify administration and keep costs low.

Tax-efficient – Regular payments

A bond can provide fixed regular payments without any immediate tax liability (assuming payments are not above the annual cumulative 5% tax-deferred limit). For taxation purposes, any tax-deferred payments would be added to the final surrender value of the bond to determine the gain that is subject to tax.

Simple – No tax liability on switching funds

Switching funds within a bond is straightforward and will not create a tax liability for your client. This can be a useful feature if your client's risk and reward strategy changes and he or she wishes to switch to funds with a lower risk profile.

Secure – Guarantee options – helping your clients plan ahead

Are your clients planning for a specific event in the future, such as university fees or a property deposit? Some bonds provide investment security allowing access to funds with 100% capital protection, applying on a specific date specified by your client.

Capital protection options are normally paid for by cancelling investment units from the bond each month.

This is just for UK advisers – it's not for use with clients.

This information is based on our understanding of current tax legislation and HM Revenue & Customs practice, all of which is subject to change. The impact of taxation (and any tax reliefs) depends on individual circumstances. The value of an investment can fall as well as rise and clients may get back less than the amount initially invested. For details on the onshore bonds provided by Prudential, speak to your Account Manager.

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