

# A guide to the Prudential International Investment Portfolio

Your questions answered



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## Risks

### What you need to be aware of

Investing money can be rewarding, but it's not without risk. We've highlighted the key risks you should consider before investing in this product:

- The value of your investment can go down as well as up so you might not get back the amount you put in.
- If you take more money from the plan than the amount your investment has grown by, the value of your investment will be less than you've put in.
- The level of risk and return is different depending on the funds you choose.
- There may be a delay in buying, selling or switching to or from certain funds. This means that you may face a delay in gaining access to your money.
- If the value of the bond assets falls below a minimum level we reserve the right to cancel the bond and pay you the value of the remaining investments less any charges. For additional information please read Contract Conditions and Statement of Charges.
- Fluctuations in exchange rates could affect the value of your investment or withdrawals.
- This applies whether or not you have appointed a Discretionary Asset Manager (DAM), with who we have an agreement to manage your bond on your behalf.

# What is an offshore investment bond?

An offshore investment bond is an investment wrapper set up through a life insurance company and domiciled in a jurisdiction with a favourable tax regime, such as Dublin, Guernsey and the Isle of Man.

## Why choose to invest in an offshore investment bond?

It's a flexible option that gives you control, plus it's tax efficient. So whether you wish to fund family members' university fees, or are looking for a product to aid your inheritance tax planning, an offshore bond could be the solution. Here are some of the key features:

### Tax efficient

- Offshore bond investments issued by an Irish insurance company are subject to a gross-roll up regime in Ireland which means the income and gains on investments will grow largely free of tax other than withholding tax, which is non-reclaimable and is deducted from certain funds.
- Income and gains produced within an offshore bond may only suffer income tax on future encashment of the bond.
- If you take withdrawals or surrender your bond when you are UK tax resident there may potentially be a UK tax liability depending on certain factors which include the level and frequency of withdrawals and personal tax circumstances. In each policy year you can withdraw up to 5% of the original amount you've invested in your bond without having an immediate income tax bill. This allowance continues until you've withdrawn 100% of the amount you invested. The same allowance applies to any additional investments, starting from the policy year they are invested in the bond. For further details, see page 9.

### Open investment structure

- Offshore bonds have flexible investment structures and allow you to invest in a large range of assets, such as: equities fixed interest, property and collective investments, meaning they can be tailored to suit your investment needs.

### Time apportionment relief

- If you have been a non-UK resident whilst holding an offshore bond, any gain is taxed proportionately between days spent as a UK/Non-UK resident.

### Simple administration

- Offshore investment bonds are deemed as 'non-income product assets', so you will only need to complete a self-assessment tax return if you have a chargeable event gain.
- There is no income tax reporting required until a chargeable event is incurred or until the bond has been encashed.

You might need to pay tax depending on your circumstances and the options you choose. Tax rules can also change in the future.

### Life Contract Conditions

#### Capital Redemption Option (CRO) Contract Conditions

If the value of the bond assets falls below a minimum level we reserve the right to cancel the bond and pay you the value of the remaining investments less any charges. For additional information please read 'Statement of Charges'.

### Life Statement of Charges

#### Capital Redemption Option (CRO) Statement of Charges

Because of changes in exchange rates the value of your investment, as well as any money you take from it, can go down as well as up. This applies whether or not you have appointed a Discretionary Asset Manager (DAM), with whom we have an agreement to manage your bond on your behalf.

# Introducing Prudential International Investment Portfolio

Whether you're an individual private investor, a corporate investor or a trustee, it's essential to manage your money efficiently.

Our portfolio is designed as a medium to long term investment (5-10 years or more) that:

- suits your needs now, and in the future
- gives you the potential for good returns
- minimises any tax liability

## What does the Prudential International Investment Portfolio offer?

- **Extensive choice of investments:** more than 1,000 funds, covering a wide range of risk levels
- **Preferential terms:** creating extra value for you, thanks to our buying power in the market
- **Cost-effective portfolio management:** 10 free deals each year (20 in year one) to help you manage your investments actively at lower cost
- **Easy access to your money:** You can make regular and one off withdrawals.
- **Tax-efficiency:** your investment grows largely free of tax (other than withholding tax)
- **Choice of currencies:** you can put money in and take it out in a choice of 6 currencies: Sterling, Euro, US Dollar, Swedish Krona, Swiss Franc and Canadian Dollar.<sup>†</sup>
- **Easy administration:** we take care of the dealing and paperwork for you and keep you up to date with quarterly statements

The content of this brochure is based on our understanding of current taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice.

<sup>†</sup> Changes in the rates of exchange between currencies may cause the value of your investment or income to go down or up.

# What are your investment options?

Prudential International Investment Portfolio offers you:

- A variety of funds, from cautious to more adventurous investments
- Access to withdraw your money tax efficiently
- The flexibility to change your selection, to adapt to any changes in your circumstances

## How do you manage your portfolio?

Prudential International Investment Portfolio (PIIP) offers you flexibility in the way your portfolio is managed, depending on your attitude to risk. You can choose to:

- Manage your portfolio yourself
- Appoint a Discretionary Asset Manager
- Appoint a Professional Investment Manager

Please speak to your financial adviser for details.

## What investments can you hold?

Within your Prudential International Investment Portfolio you can hold investments such as:

- Unit trusts
- OEICs (Open Ended Investment Companies)
- SICAVs (Sociétés d'Investissement à Capital Variable)
- UCITS (Undertakings in Collective Investments in Transferable Securities)

SICAVs are European collective investments that are similar to OEICs. UCITS is a generic term for funds that meet certain regulatory requirements and can be sold in any European Union country. For more information on the types of investments you can hold, please refer to 'Some terms explained' section.

You can also invest in cash deposits, with a choice of rates and terms. These provide you with a low risk option if you want a fixed return or could act as a short-term haven if stock markets are volatile.

## Appointing a Discretionary Asset Manager

If you wish, you can appoint a Discretionary Asset Manager (DAM) to manage part or all of your Prudential International Investment Portfolio. The DAM will provide investment management tailored to your personal needs and will monitor your portfolio to ensure it stays in line with your changing requirements. They will agree an investment strategy with you and make investments and fund switches on your behalf following the strategy within changing markets.

The DAM will have access to a wide range of investments, just as you would yourself, but you could also benefit from any discounts on fund charges that the DAM negotiates.

Prudential International has a number of DAM partners you can choose from. You also have complete flexibility, you can:

- Appoint or de-select a DAM at any time
- Have more than one DAM at any time or at the same time
- Have one or more DAMs managing part of your bond while you manage the rest yourself

Your financial adviser can give you more information on your options.

## Professional Investment Adviser

If you don't want to make all investment decisions yourself, our portfolio gives you the option to appoint a professional investment adviser. They can help you set your investment strategy and manage your portfolio.

You can arrange to pay your adviser directly from your bond. However, we would treat any payments as a withdrawal and it would count towards your 5% annual tax deferred allowance.

## Prudential's investment expertise

As well as giving you access to a wide range of external funds, the Prudential International Investment Portfolio includes a select range of M&G Group's funds, managed by Prudential Unit Trusts Limited and M&G.

## Managing your portfolio

To help make sure your investments stay in line with your needs and preferences, you can switch between funds at any time. In the first year of your bond, we'll give you 20 free deals (purchases or sales) and thereafter we'll give you 10 free deals every year.

As the normal dealing charge is currently £28.25, this will save you up to £282.50 a year and up to around £565 in the first year, helping you to manage your investments actively at much lower cost.

Changes may vary in the future and may be higher than they are now.



# Additional features of Prudential International Investment Portfolio

The Prudential International Investment Portfolio has a number of features that can help make your investment work more effectively for you.

## Clear charges

The Prudential International Investment Portfolio offers a choice of three charging options, giving you and your adviser the opportunity to choose which works best for you. Each is clearly set out, so you can see how much you are paying, and you can have flexibility without sacrificing value for money.

You can find details of the charges in your Key Features document (which you can find here [www.mandg.com/dam/pru/shared/documents/en/piipk10006.pdf](http://www.mandg.com/dam/pru/shared/documents/en/piipk10006.pdf)). For further details on the charging options, please speak to your financial adviser.

## Inheritance tax planning

Prudential International has a range of trusts that can be used with the Prudential International Investment Portfolio for inheritance tax planning: The Gift Trust, Loan Trust, Discounted Gift Trust and Excluded Property Trust. If your bond isn't in trust, your estate may have to pay inheritance tax on it when you die.

Your financial adviser/Tax Adviser will be able to tell you more about these and whether they would suit your circumstances.

## Capital Redemption Option

Rather than writing the bond on a life assurance basis, where it would end on the death of the chosen life assured, you can choose the Capital Redemption Option.

In this case, the bond has a fixed term of 99 years, although you can cash it in at any time. If it is continued for the full term, it will pay a guaranteed minimum amount at maturity.

This option can be particularly attractive for trusts, allowing the trustees to choose when to cash it in or instead to keep it going through successive generations. There is an additional charge for the Capital Redemption Option. You will find details in your Key Features document.

# How can I access my money?

- Take your money out at any time
- Choose between a one-off withdrawal or regular payments.

## Taking out lump sums

You can cash in part of your bond at any time, as long as you take out at least £500 and leave a minimum amount in your bond after the withdrawal. This minimum is the greater of:

- £7,500, and
- 15% of the total amount you have paid into the bond in the last five years.

There are no early cash-in charges for partial withdrawals.

## Taking regular withdrawals

You can choose to have regular payments from your bond every month, three months, four months, six months or every year. We can set this up for you when you first take out your bond or at any time after that.

Equally, you can stop regular withdrawals at any time or vary the amount, to meet any changes in your circumstances. The only criteria are that each regular withdrawal must be at least £500 and a minimum amount must remain in your bond, as outlined above.

## Paying your advisers through your Prudential International Investment Portfolio

Your financial adviser may agree charges with you for arranging your investment and your Investment Adviser, where you have appointed one, may agree charges with you for managing your portfolio. If you wish, you can ask us to pay some or all of these charges on your behalf from your investment.

You can find out more about adviser charging options in your key features document.

## What about tax?

### Income Tax

You may have to pay Income Tax on any withdrawals you make from your bond. Each policy year you can withdraw up to 5% of the amount you have invested in your bond without having an immediate tax bill. You may do this by taking regular withdrawals and/or one-off withdrawals by partially cashing in all the policies in your bond. If you don't use all of this 5% allowance in any policy year, you can carry the unused portion forward. The allowance comes to an end once you have withdrawn 100% of the amount you invested. If you withdraw more than the allowance in any policy year, you may have to pay Income Tax on the excess amount.

The 5% allowance also applies to any additional investment you make, starting in the policy year it's invested in the bond. Any Ongoing Adviser Charges, Ad hoc Adviser Charges, regular withdrawals and one-off withdrawals you ask us to pay by partially cashing in all the policies in your bond, will be counted against the 5% allowance. You may also have to pay Income Tax if:

- you cash in your bond or any policies in it,
- you transfer legal ownership of your bond, or
- your bond ends on the death of a life assured and the death benefit is payable, or
- your bond ends because it matures.

A gain on your bond will be added to your total taxable income for that tax year and you will normally pay tax on the gain at your highest marginal rate, although in some cases you may be able to claim "top-slicing relief". Your Financial Adviser will be able to give you more information about this. Gains from your bond may affect any entitlement to personal Income Tax allowances or certain tax credits.



If you have been non-resident in the UK for tax purposes during the period you have owned the policy, you may be entitled to a reduction in tax payable for any taxable gains made during your non-residency (time apportioned reduction). Further details can be found in the HM Revenue & Customs helpsheet HS321 "Gains on foreign life insurance policies".

### Capital Gains Tax

You won't have to pay this on your plan.

### Inheritance Tax

If you still have this plan when you die, your estate might need to pay Inheritance Tax. Special tax considerations apply to plans written under trust. Your adviser can give you more information about this.

### Irish Exit Tax

If you become resident in Ireland, we'll deduct Irish Exit Tax from your bond:

- every eight years;
- when any benefits are paid out; or
- when the owners of the bond change.

We pay this tax to the Irish tax authorities. If you're not resident in Ireland, you don't have to pay Irish Exit Tax provided you complete the "Declaration of residence outside Ireland" which is contained within the application form.

### Tax rules for trusts

If your bond is written under trust, special tax rules apply. For more information please contact your Financial Adviser.

### Tax rules for corporate investors

UK Corporate investors cannot benefit from the 5% annual tax-deferred allowance. For more information, please contact your Financial Adviser.

Tax rules can change and the impact of taxation (and any tax relief) depends on your circumstances.

Before you make a decision you might want to speak to a financial adviser. They can help you understand the tax rules and how they might affect you.

For more information visit [pru.co.uk/tax](https://pru.co.uk/tax) or the HMRC website at [hmrc.gov.uk](https://hmrc.gov.uk).

## Using a Deposit Account

If you are choosing your own funds, or you appoint an Investment Adviser, you can invest in the Deposit Account. The Account will be used to meet both charges and withdrawals, giving your bond greater flexibility.

If you are taking regular withdrawals, you may sometimes need to top up the Deposit Account by investing more money or selling some investments. If your account becomes overdrawn because there is not enough money to cover charges or a withdrawal, there will be an additional charge. In some cases, we may need to stop withdrawals. You can find more details in your Key Features document.

If you appoint a Discretionary Asset Manager (DAM) for part or all of your portfolio, you don't need to invest in the Deposit Account in relation to the assets managed by the DAM. Your DAM will be able to tell you how investments may be cashed in to provide any withdrawals you require or to meet charges and there will never be any overdraft charge, as referred to above, on any part of your bond managed by a DAM.

However, if not all of your bond is managed by a DAM, the Deposit Account (and any related charges) will apply as normal to the non-DAM portion.

## Adding to your investment

You can add to your investment at any time, from a minimum of £5,000. You can invest in the same funds you already hold in the bond, in the same proportions (as at the last quarterly valuation) or in a new selection.

# About Prudential International

Prudential International is part of M&G plc. M&G plc is a savings and investment company with a long-term outlook, bringing the M&G Investments business together under one roof with the UK and European parts of Prudential. Prudential International benefits from the financial and investment strength of the Group, enabling us to provide flexible and effective products for our customers.

## Our home in Dublin

Prudential International is based in Dublin, which provides tax advantages as well as a strict legal and regulatory environment.

We are subject to European Law, having to comply with all applicable European directives and regulations and to meet European solvency margins. We are authorised by the Central Bank of Ireland.

We are subject to limited regulation by the Financial Conduct Authority. Details on the extent of our regulation by the Financial Conduct Authority are available from us on request.

### The advantages of being an Irish tax resident company:

The main advantage of this is tax-efficiency: investment income and gains are subject to a gross-roll up regime in Ireland which means your bond can grow largely tax-free, subject only to withholding tax on certain funds which is non-reclaimable.

This benefit is only available for non-Irish tax residents.

## Our service to you

We take care of all the administration and other paperwork and we aim to maintain a high standard of service at all times, including:

- making sure all our literature is clear and easy to understand;
- carrying out your requests quickly and efficiently; and
- responding promptly to any queries you may have.

So that you can keep track of your investment, we provide annual valuations, showing all your funds in one statement.

## Contacting us

If you've got any questions about your bond, want to make changes to your fund or would like a form or one of our guides, call us on + 353 1 476 5000.

Lines are open 9am to 5pm Monday to Friday. Please note calls may be recorded for security, quality purposes, staff training and/or dispute resolution.

You can also write to: **Operations Department, Prudential International Assurance plc, Montague House, Adelaide Road Dublin 2 Ireland**

# Some terms explained

**Prudential International Investment Portfolio** – Single premium unit-linked investment contract with open architecture available as either life assured or capital redemption option.

**Life – assured option** – For individuals: one or two applicants, minimum age of 18. Also available for trustees and Corporate investors. Up to 10 lives assured, on a last death basis. The life assured must be aged between three months and 89 attained. For joint lives, at least one life must be aged under 90.

**Capital redemption option** – Available to individuals and Corporate investors. CRO bonds mature on the 99th anniversary of the original investment date. If a bond is still in force at maturity, there is a guaranteed minimum maturity value.

**Investment Wrapper** – A means of consolidating and managing an investor's investment portfolio and financial plans.

**Chargeable event** – A chargeable event arises on partial withdrawals across a bond which exceed the 5% per annum allowance.

They can also occur:

- A) On the death of the relevant life assured: and
- B) On maturity or cash-in of a policy

**Discretionary Asset Manager** – Manage part or all of your Prudential International Investment Portfolio. Will provide investment management tailored to your personal needs and will monitor your portfolio to ensure it stays in line with your changing requirements.

**Establishment charge option** – Percentage of premium, taken quarterly for five years and depending on the size of the premium. A fixed administration charge is also taken quarterly under this option.

**Initial charge option** – Allocation rate 100% less initial charge. A fixed administration charge is also taken quarterly under this option.

**Ongoing portfolio charge** – Percentage of fund value, taken quarterly, depends on size of premium.

**Inheritance tax planning (IHT)** – Prudential International has a range of trusts that can be used with Prudential International

**Investment Portfolio for IHT planning** – Gift Trust, Loan Trust, Discounted Gift Trust and Excluded Property Trust.

**Deposit Account** – If you are choosing own funds or appoint an investment adviser, you can invest in deposit account. It will be used to meet both charges and withdrawals, giving your bond greater flexibility.

**Tax efficiency** – Your investment grows largely free of tax (other than withholding tax).

**Withholding Tax** – a tax deducted at source, levied on interest or dividends paid to a person resident outside that country.

**Unit trusts** – A unit trust is a form of collective investment constituted under a trust deed. A unit trust pools investors' money into a single fund, which is managed by a fund manager.

**OEICs (Open Ended Investment Companies)** – OEICs are professionally managed collective investment schemes that pool your money with other investors.

**SICAVs (Sociétés d'Investissement à Capital Variable)** – A SICAV is an open-ended collective investment fund, much like a unit trust or OEIC.

**UCITS (Undertakings in Collective Investments in Transferable Securities)** – UCITS are investment funds, regulated at a European Union (EU) level. In creating a set of common rules and regulations it allows such funds to a) seek a single authorisation in one EU member state, and b) register for sale and market across EU member states.

[pru.co.uk/international](https://pru.co.uk/international)

Prudential International is a marketing name of Prudential International Assurance plc. Prudential International Assurance plc, UK Branch is registered in the UK as a branch of Prudential International Assurance plc and its registered address is 3 Sheldon Square, Paddington, London W2 6PR. Registration No. BR017106. Prudential International Assurance plc is authorised and regulated by the Central Bank of Ireland, deemed authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website. Prudential International is part of the same corporate group as The Prudential Assurance Company Limited. Both The Prudential Assurance Company Limited and Prudential International are direct and indirect subsidiaries respectively of M&G plc, a company incorporated in the United Kingdom. The Prudential Assurance Company Limited is not affiliated in any manner with Prudential Financial, Inc, a company whose principal place of business is in the United States of America or Prudential plc, an international group incorporated in the United Kingdom.