

Your guide to

# Prudential Onshore Portfolio Bond

Your questions answered

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We would like everyone to find it easy to deal with us. Please let us know if you need information about our plans and services in a different format.

All our literature is available in audio, large print or braille versions. If you'd like one of these please contact us using the details on the last page.

## › An overview of your Prudential Onshore Portfolio Bond

The Prudential Onshore Portfolio Bond is an investment bond provided by Prudential International, which enables you to invest in a wide range of investments with the potential for growth. It allows you to take tax-efficient withdrawals, while providing an element of life cover.

The Prudential Onshore Portfolio Bond is a single premium whole of life, insurance product and is available through a number of investment wrap platforms. The platform is used by your financial adviser to manage your investments within the bond. Some platforms can allow you to view the values of your investments. Please speak to your financial adviser for more information about your chosen platform.

### The aims of your bond

#### What this bond is designed to do

- › Grow the value of your investment
- › Allow you to withdraw your money tax efficiently
- › Give access to a wide range of investments to match your investment objectives and attitude to risk
- › Provide a small amount of death benefit.

### Your commitment

#### What we ask you to do

- › Your initial investment into the bond must be at least £15,000. The minimum top-up investment is £2,500
- › You will look to invest over the medium to long term, at least 5-10 years
- › Together with your financial adviser you need to choose investments to suit your needs and keep them under regular review.

### 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 bond can go down as well as up and may even fall below the amount you invested – what you get back is not guaranteed. If the withdrawals are more than any overall growth achieved the value of your bond will reduce below the level of the original investment.
- › Each of the investment choices available for the Prudential Onshore Portfolio Bond has its own specific risks that will affect the value of your bond. Some also have features which mean there are restrictions on taking money out or moving money between investments. You should discuss these with your financial adviser.
- › In exceptional circumstances a transaction (such as a full or partial cash in) may be delayed which may mean you face a delay in gaining access to some or all of your money. Where a request is made to fully cash in the bond and there is a delay in selling an asset, we will only pay the cash in value of the bond once the final asset has been sold. This approach is taken to prevent part payment in these circumstances being viewed as a partial cash in of the bond for tax purposes. You can find more information in the Contract Conditions, which you can get from your financial adviser.

We've based this information on our understanding of current law and HM Revenue and Customs practice.

Your individual circumstances and future changes in law and tax practice could affect the amount you pay.

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. Further details can be found in the Contract Conditions and Statement of Charges, which you can get from your financial adviser.

## › What does the Prudential Onshore Portfolio Bond offer?

The Prudential Onshore Portfolio Bond offers the following:

**Tax-efficient withdrawals:** with tax-deferred annual withdrawals up to 5% of the amount you have invested in your bond without having an immediate tax liability. Please see page 5 for more details.

**Easy access to your money:** with regular and one-off withdrawals, to suit your needs. Any withdrawal taken will reduce the value of your bond. This includes any charges that have been arranged to be paid from the bond, whether these are ad hoc or regular adviser charges.

**Inheritance tax planning options:** with a wide range of trust options available from Prudential for use with the Prudential Onshore Portfolio Bond. Please see page 6 for more details.

**Multiple Lives Assured:** The bond can have up to 10 lives assured. The bond will end when the life assured dies, or in the case of a joint life bond, when the death of a life assured triggers the payment of the death benefit (depending on whether the first or last death basis was chosen at outset).

The death benefit will be paid out to the surviving owner(s), the estate of the deceased owner or, if the bond is under trust, to the remaining trustees, as appropriate. If the owner dies but they are not the life assured, the bond will not end and ownership of the bond will pass to the owner's estate, unless the bond was owned jointly or is under trust; in which case it will pass to the surviving owner(s) or to the remaining trustees, as appropriate. Please see page 6 for more details.

**Diversity and choice:** with an extensive choice of investment options with a range of asset classes such as Unit Trusts and Open Ended Investment Companies (OEIC Funds) available through your selected platform. Please see page 7 for more details.

**Ease of use:** integration with your chosen platform allowing your financial adviser to manage your bond alongside all of your other platform assets. Most platforms provide an instant summary of the combined value of your asset holdings invested and trading activity carried out by your financial adviser. Please see page 7 for more details.

## › What are the benefits of using an investment platform?

Please speak to your financial adviser for more information about the assets available on your chosen platform.

An investment platform, also known as a Wrap Platform, is an administration service for your investments. Investing via a platform can help simplify the management of your investment portfolio. There are a number of investment platforms available in the UK offering access to a wide range of investment assets.

Platforms are used for investing for a number of reasons such as:

- › Access to a wide range of assets.
- › Online access to your bond's current valuation.
- › The ability to switch funds quickly.
- › The ability to rebalance portfolios back in line with your risk profile.
- › More efficient switching between different types of investments – no tax implication to you as your investments are wrapped within the onshore bond.
- › Ease of administration – with your investment details in one place, it is easier to see all of your investments managed through the platform.

## › How can the Prudential Onshore Portfolio Bond help with your tax planning?

Onshore bonds are widely used by many clients working with financial advisers, you can use the Prudential Onshore Portfolio Bond to help make the most of the tax allowances available to you. You might need to pay tax depending on your circumstances and the options you choose. Tax rules can also change in the future.

### How your investment within the Prudential Onshore Portfolio Bond is taxed

#### Tax within the bond

The investment return of assets held in the Prudential Onshore Portfolio Bond is subject to tax. The actual rate of tax applied to your bond will depend on:

- › the assets you choose, and
- › the nature of those assets.

The tax liability is calculated for each bond depending on the underlying investments held. The tax can be seen each month on your bond via your chosen platform. For more information please ask your financial adviser.

#### Personal Tax

On an onshore bond there is no personal liability to:

- › capital gains tax (assuming ownership of a bond is not transferred in return for money or money's worth), or
- › basic rate income tax. For UK life assurance bonds, the investor is given a basic rate income tax credit of 20% as the life office has paid tax on the assets underlying the policy. This applies even though the overall tax on the underlying assets is often less than 20%.

### 5% yearly withdrawal allowance

One-off lump sum withdrawals can be made by partially cashing in all the policies in the bond, fully cashing in some of the bond policies or a combination of those two methods.

If you wish to partially cash in all the policies, then in each policy year you can withdraw up to 5% of the amount you have invested in your bond without having an immediate tax liability. If you don't use this 5% allowance in any one year it is carried forward to the next. The allowance will come to an end when you have withdrawn 100% of the amount you have invested.

Any ongoing and/or ad hoc adviser charges taken from your bond will also count against this 5% allowance. If withdrawals and any ongoing/ad hoc adviser charges exceed the allowance at any time you may have to pay income tax on the excess amount, known as a "gain".

### Cashing in

Alternatively you can cash in individual policies in the bond. If you cash in an individual policy, you may have to pay tax on the amount of investment gain made under that policy. Broadly, if the total value taken from a policy (including all previous withdrawals and adviser charges paid from it) is greater than the investment paid into the policy and any previous gains made under it, you may have to pay income tax on the excess amount.

### Reducing your tax liability

You may be able to reduce your liability if you cash in your bond and any of the gain from it falls into the higher rate income tax band.

The rules may vary from the above if you are taking withdrawals rather than cashing in. For more information please ask your financial adviser.

### Flexibility on cashing in your bond

The bond is set up as a group of identical policies. With each policy treated separately this provides greater flexibility from a tax planning perspective when it comes to cashing in your bond.

### Changing bond assets

Buying and selling assets within a bond has fewer tax considerations compared to switching funds or assets bought directly within a platform.

## Estate planning

Trusts are a key tool in estate planning. Bonds can be transferred to (and by) trustees 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.

If the value of your estate when you die is likely to be more than the nil rate band (£325,000 for 2020/2021), the amount in excess of this band will be subject to inheritance tax. By placing your Prudential Onshore Portfolio Bond into a trust, you can help reduce any potential inheritance tax liability.

Prudential has a range of Trusts that can be used with the Prudential Onshore Portfolio Bond for inheritance tax planning:

- Gift Trust;
- Loan Trust;
- Discounted Gift Trust;
- Probate Trust.

You can also have up to 10 lives assured which means the investment can be passed on through several generations.

Please speak to your financial adviser about the options available to help you reduce any potential inheritance tax liabilities.

We've based the information in this section on our understanding of current law and HM Revenue and Customs practice. Your individual circumstances and future changes in law and tax practice could affect the amount you pay.



## › Which investment options are available?

The Prudential Onshore Portfolio Bond lets you choose from an extensive range of assets available on platforms, from the more cautious to the adventurous, so that your financial adviser can tailor your investment to meet your needs and risk preferences.

One of the advantages of using a platform is the wide range of fund and asset choice available. As the Prudential Onshore Portfolio Bond is available on platforms, you can access a wide range of assets and continue to manage them on your chosen platform. Typically, these include assets such as:

- › Unit Trusts;
- › OEICs (Open Ended Investment Companies) Funds;
- › SICAVs (Sociétés d'Investissement à Capital Variable)\*
- › UCITS (Undertakings in Collective Investments in Transferable Securities).

### **Are there any other ways to manage my investment portfolio?**

Your financial adviser may, through your platform, offer access to a managed portfolio of assets (also known as a "model portfolio"). These managed portfolios may be managed by a Discretionary Fund Manager (DFM) who will, on an ongoing basis, choose the investments within the managed portfolio. This will allow you to access their investment expertise in a cost-effective manner.

Your financial adviser can give more information on your options and the charges that apply for this service.

Please speak to your financial adviser for more information about the assets available on your chosen platform.

\* *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.*

## ➤ Important information about your Prudential Onshore Portfolio Bond

### Accessing your money

Should you want to take money out of your bond, either on a regular basis or as a one-off lump sum, it is easy to arrange. It may trigger a tax liability – please ask your financial adviser for more information.

Taking lump sums and regular withdrawals is only allowed if the bond value after the withdrawal meets our current minimum value limit of £1,000.

For more detailed information about the Prudential Onshore Portfolio Bond please see the "Key Features of the Prudential Onshore Portfolio Bond" available from your financial adviser.

A withdrawal of any type (one-off lump sum or regular) must be at least the current minimum of £100.

### Taking out lump sums

You can cash in part of your bond at any time however some investments available on the platform may have a minimum term and may incur a penalty if sold before then.

### Taking regular withdrawals

You can choose to have regular payments from your bond every month, two months, 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.

Regular withdrawals in any 12-month period cannot exceed 10% of the total premiums invested in the bond. This limit applies at the start of each instruction and when a change is made to an existing instruction.

### Residual Income Payments

There may be residual income paid to your bond after it has been surrendered. 12 weeks after your bond has been surrendered, we will capture any additional income paid and pass that onto you in a further payment net of any outstanding bond and adviser charges.

### Adding to your investment

You can add to your investment at any time, from a minimum payment of £2,500.

### Paying your financial adviser through your Prudential Onshore Portfolio Bond

You and your financial adviser will agree the charge for giving you financial advice. There are three types of adviser charges – Set-up Adviser Charge, Ongoing Adviser Charge and Adhoc Adviser Charge. If you wish, you can ask us to pay some or all of these charges on your behalf from the payment you send us and/or from your bond.

If we pay any adviser charges from your bond on your behalf and you are also taking regular withdrawals or one-off withdrawals by partially cashing in all the policies in your bond, these will be added together and counted against the tax-deferred allowance. If the total in any policy year is more than the 5% allowance built-up by that time, you may be liable to income tax on the excess amount (known as a gain). You will only be liable to income tax on a gain if you already pay income tax above the basic rate for the tax year in which the gain occurs or if adding the gain to the rest of your taxable income for that tax year, takes you above the basic rate tax band. A gain may also affect entitlement to personal allowances and certain tax credits.

For more information on adviser charges, please see the "Key Features of the Prudential Onshore Portfolio Bond" available from your Adviser.

As explained on the next page in the section "Charges", we deduct a charge from the bond to cover the fees we pay to a Discretionary Fund Manager (DFM), if one is appointed for a bond. This means a DFM's fees will not count towards the 5% tax-deferred allowance.

Please refer to Page 7 for details on DFMs in the section "Are there any other ways to manage my investment portfolio?".



## › Charges

### **Bond charges**

We make an Ongoing Product Charge for administering your bond, taken as a percentage of the value of the assets you hold within the bond. In addition we charge for:

**Platform charges** – these charges reflect our costs in procuring the custody, administration and operational services from your platform, as set out in your platform terms and conditions.

**Expenses** – an amount we deduct each month to cover expenses we incur such as dealing costs, duties, levies and tax we have to pay on the growth and investment income of the assets held within the bond.

**Discretionary Fund Manager (DFM) charges** – to cover the fees we pay to a DFM, if you appoint one for the bond.

### **Asset charges and costs**

The majority of investments available have an Annual Management Charge. In addition, there may be further costs incurred, which can vary over time. Where these are applicable they are paid for by the relevant fund and will impact on its overall performance. For more information, please look at the current Statement of Charges for this product, which you can get from your financial adviser. There may also be an 'Initial Charge' – this applies to an asset held as units or shares where the asset has different buying and selling prices.

Your financial adviser can give you more information on the charges associated with this bond.

Please note: We review our bond and asset charges every year and they might change in the future. If you'd like more information on these please have a look at the Statement of Charges and the Contract Conditions, which you can get from your financial adviser.

## › How will I know how my bond is doing?

### **Will I receive Annual Statements?**

Yes. We will send you a statement of your asset holdings each year. Also as your Prudential Onshore portfolio Bond is invested via a platform, your financial adviser will be able to access up to date valuations. Please speak to your financial adviser for more information on accessing valuations.

### **You can rely on us to help after your Plan is set up**

Our highly trained and experienced team of customer service professionals strive to deliver excellent customer service and support to our customers.

### **Where to find more information**

For more detailed information about the Prudential Onshore Portfolio Bond please see the "Key Features of the Prudential Onshore Portfolio Bond" available from your financial adviser.



## > To contact us

If you want to contact us before you invest, you can contact us in the following ways:

Write to us: **Prudential International Stirling FK9 4UE**

Phone: **0800 000 000**

Monday to Friday 8:30am to 6.00pm (we're not open on public holidays). We might record your call to make sure our service is up to standard.

If you're a deaf customer, who is also a British Sign Language (BSL) user, you can contact us using a Video Relay service. The service, provided by SignVideo, connects customers to fully qualified, registered NRCPD interpreters who will relay your conversation with a member of our customer service team.

**[www.pru.co.uk/contact-us/signvideo](http://www.pru.co.uk/contact-us/signvideo)**

There's no cost for using this service to call Prudential International and we're available to help you Monday to Friday, 8am to 6pm.

You'll also find more information at  
**[www.pru.co.uk/international](http://www.pru.co.uk/international)**



### Keep in touch

It's important that we keep in touch so, if you change your address or any of your contact details, please let us know.



[www.pru.co.uk/international](http://www.pru.co.uk/international)

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