

Your guide to

Onshore Portfolio Bond – Off Wrap Contract (OWC)

Your questions answered



Contents

What does the Prudential Onshore Portfolio Bond (OWC) offer?	4
How can the Prudential Onshore Portfolio Bond (OWC) help with your tax planning?	5
Which investment options are available?	7
Important information about your Prudential Onshore Portfolio Bond (OWC)	8
Charges	9
How will I know how my bond is doing?	11

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 get back less than you put in.
- If you take more money from the bond than the amount your investment has grown by, the value of your investment will be less than you've put in.
- 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.
- 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**.

What does the Prudential Onshore Portfolio Bond (OWC) offer?

The Prudential Onshore Portfolio Bond (OWC) combines the advantage of a wide choice of investment options with the taxation and trust benefits of an onshore bond.

The Prudential Onshore Portfolio Bond (OWC) 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 (OWC) is an onshore bond. This means it is taxed under UK life fund taxation rules and an appropriate level of tax is deducted from the bond.

The Prudential Onshore Portfolio Bond (OWC) offers:

- **Diversity and choice:** with an extensive choice of investment options and with a range of asset classes such as Unit Trusts and Open Ended Investment Companies (OEIC Funds) available.
- **Ease of use:** with instant access, via your financial adviser, to efficiently switch between investments, to obtain a summary of the value of the asset holdings invested in your bond and to view trading activity carried out on your behalf by your financial adviser.
- **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. If the withdrawals are more than any overall growth achieved the value of your bond will reduce below the level of the initial investment and any additional investment(s), where applicable.

- **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 4 for more details.
- **Payment Limits:** the minimum initial payment is £15,000, the minimum additional payment is £2,500.
- **Inheritance tax planning options:** with a wide range of trust options available from Prudential for use with the Prudential Onshore Portfolio Bond (OWC).

Be aware of the risks

The value of your investment can go down as well as up so you might get back less than 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.

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.

How can the Prudential Onshore Portfolio Bond (OWC) help with your tax planning?

Working with your financial adviser, you can use the Prudential Onshore Portfolio Bond (OWC) 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.

The Prudential Onshore Portfolio Bond (OWC) is only available to UK residents.

How your investment within the Prudential Onshore Portfolio Bond (OWC) is taxed

There is no personal liability to capital gains tax (assuming a bond is not assigned for money or money's worth) or basic rate income tax on an onshore bond. This is because the assets within the bond are treated as if they are subject to tax, equivalent to basic rate tax.

The Prudential Onshore Portfolio Bond (OWC) is taxed according to the specific underlying investments held within the bond.

Transparency of Tax

UK Life Assurance bonds give the investor a basic rate tax credit of 20% as the life office has paid tax on the investments underlying the policy. However, the overall tax on the underlying investments is often less than 20%.

The tax liability is calculated for each bond depending on the underlying investments held. Rather than apply a flat rate charge of 20%, we apply different charges based on the underlying investment held.

The actual rate of tax, the rate and extent of tax applied will depend on:

- the assets you choose.
- the nature of those assets, and
- the nature of the underlying investments held under the bond.

For more information please ask your financial adviser.

5% yearly withdrawal allowance

Each year you can withdraw up to 5% of the amount you have invested without having an immediate tax liability. If you don't use this 5% allowance in any one policy 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 the 5% allowance.

If withdrawals and any ongoing and/or 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".

Reducing your tax liability

By spreading the gain in the investment growth across the number of complete years the investment has been held, you may be able to reduce your tax liability when you cash in your bond if the gain from the bond pushes you into a higher rate tax band.

The rules around this 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.

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. For specific advice around this you should speak to your financial adviser.

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

If the value of your estate when you die is likely to be more than the nil rate band (£325,000 for 2023/24), the amount in excess of this band will be subject to inheritance tax.

By placing your Prudential Onshore Portfolio Bond (OWC) 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 (OWC) 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 (OWC) lets you choose from an extensive range of investment options, from the more cautious to the adventurous, so that you can tailor your investment to meet your needs and risk preferences.

One of the advantages of using the Prudential Onshore Portfolio Bond (OWC) is the wide range of fund and asset choice available. Typically, these include assets such as:

- Unit Trusts
- OEIC (Open Ended Investment Companies) Funds
- SICAVs (Sociétés d'Investissement à Capital Variable)*
- UCITS (Undertakings in Collective Investments in Transferable Securities)
- ETFs (Exchange Traded Funds)

For more information on the types of investments you can hold, please refer to 'Some terms explained' section.

* 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.

Your financial adviser can give you more information on which assets are available.

Important information about your Prudential Onshore Portfolio Bond (OWC)

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 minimum value limit.

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

The minimum amount for any type of withdrawal is £100. However this rule does not apply when fully cashing in some of the bond policies.

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 take regular withdrawals from your bond every month, every 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 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 (OWC)

You and your financial adviser will agree the charge for giving you financial advice. 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 investment.

If we pay any adviser charges from your bond on your behalf and you are also taking regular or one-off withdrawals from your bond, these will be added together and counted against the tax-deferred allowance. If the total in any year is more than the 5% allowance you may be liable to income tax on the excess amount. Normally, however, income tax is not payable if you are a basic rate taxpayer and only on the rates above basic rate if you pay tax at a higher rate. It 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 – OWC” available from your financial 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 Asset Manager, if one is appointed for a bond. This means a Discretionary Asset Manager’s fees will not count towards the 5% tax-deferred allowance.

Charges

We charge you for looking after your plan. These charges are already taken into account when we work out its value.

Your personal illustration shows how the charges and costs will affect your bond based on the amount you invest and example growth rates. It will also show any Adviser Charges you have asked us to pay on your behalf.

The charges and costs described below could change in the future. If this happens, we will let you know.

We take an Ongoing Product Charge for administering your bond, based on the value of the assets you hold within the bond. In addition we charge for:

- **Expenses** – Where expenses such as dealing costs, taxes, duties, levies or charges are incurred, an amount is deducted every month to cover them. This includes a deduction to cover tax we pay to HM Revenue & Customs on the growth and income of assets held

within your bond. It is calculated monthly and when assets are sold, based on the value of assets held in the bond and it is applied monthly.

- **Discretionary Fund Manager (DFM) charges** – If you've appointed a Discretionary Fund Manager, we'll deduct an amount from your bond to cover their fees we pay.
- **Dealing charges** – We might apply a Dealing Charge where we link or cancel Instruments to or from your bond. We might also apply Dealing Charges where changes are made to a Model Portfolio linked to your bond.

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

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



Some terms explained

Prudential Onshore Portfolio Bond – a single premium whole of life, insurance product and is available through a number of investment wrap platforms.

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.

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

They can also occur:

On the death of the relevant life assured: and

On maturity or cash-in of a policy

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

Inheritance tax planning (IHT) – Prudential International has a range of trusts that can be used with the Prudential Onshore Portfolio Bond.

POPB for IHT planning – Gift Trust, Loan Trust, Discounted Gift Trust and Excluded Property Trust.

Investment Wrap Platform – A wrap platform gives clients access to thousands of funds, multiple asset classes and the ability to add specific funds or investments on request.

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.

How will I know how my bond is doing?

We will send you a valuation statement each year.

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. Yes. We will send you a valuation statement each year.

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

Write to us: **Prudential International Assurance, PO Box 13395, Chelmsford, CM99 2GH**

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

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**

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

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