

# GLOSSARY

A WEALTH *of* DIFFERENCE

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WEALTH SOLUTIONS



Utmost Wealth Solutions is the brand name used by a number of Utmost companies. This item is issued by Utmost International Isle of Man Limited and Utmost PanEurope dac.

## When dealing with our clients and financial advisers, we aim to be clear, transparent and concise at all times.

To help you understand our products and services better, we have created this document to provide you with explanations of some of the terms you will see in our product literature or when dealing with us or your financial adviser. Certain terms are only relevant to specific products.

While the content of this document is to assist you in your understanding of our documents, it is not suitable for independent advice and we strongly recommend that you seek independent advice before making any decision regarding a Policy application, premium payment, withdrawal and/or investment change, as applicable. If there is any difference between the terms specified in this document and the Policy Conditions of the Policy, the Policy Conditions always take precedence.

<b>5% ANNUAL TAX-DEFERRED ENTITLEMENT</b>	<p>This relates to the rule under the UK chargeable events legislation which enables a UK resident policyholder (individual, trustee or personal representative) to withdraw up to 5% of the original investment each policy year without an immediate charge to income tax, until 100% of that capital is withdrawn. The policyholder is able to benefit from such withdrawals and defer tax on any gains until a chargeable event occurs.</p> <p> Any adviser charges relating to personal recommendations that are paid from the bond to your financial adviser, will be treated as a withdrawal and will form part of your total 5% annual tax-deferred entitlement. This could have potential tax consequences and you should discuss this with your financial adviser before making a withdrawal, surrender, or payment of adviser charges from the bond.</p>
<b>ABSOLUTE TRUST</b>	<p>An Absolute Trust (sometimes referred to as a 'fixed' or 'bare' trust) is a trust where the Donor decides at outset who will benefit from the trust and in what proportion. The named beneficiaries have an absolute entitlement which cannot be changed by the trustees, or the Donor, after the trust is established.</p>
<b>ADMINISTRATION CHARGE</b>	<p>A charge that is applied for the ongoing administration of the bond. It is taken quarterly in arrears for the lifetime of the bond and increases each January, in line with changes in the UK Retail Price Index. The cost of the administration charge is increased if you invest any part of your premium(s) to a External Fund Manager and/or Custodian (EMC). The charge may be reduced if the EMC is able to provide monthly valuation data in an agreed electronic format.</p>
<b>ADVISER CHARGE (AC)</b>	<p>A fee that you agree to pay a financial adviser in return for the advice (or related services) that you receive.</p> <p> Any adviser charges relating to personal recommendations that are paid from the bond to your financial adviser will be treated as a withdrawal and will form part of your total 5% annual tax-deferred entitlement. This could have potential tax consequences and you should discuss this with your financial adviser before making a withdrawal, surrender, or payment of adviser charges from the bond.</p>
<b>ASSIGNMENT</b>	<p>The transfer of legal ownership of a bond, or individual policy segments, to another party.</p>

BENEFICIARY/ BENEFICIARIES	The person, or persons, who will or may benefit from the proceeds of a bond held in trust.
BOND	This is the contract between the policyholder and Utmost International Isle of Man Limited or Utmost PanEurope dac. The term bond refers to the series of identical policy segments, although each segment is a separate contract in its own right.
BOND SPLIT	Separating segments to form a new bond(s) allowing each policyholder to make decisions independently regarding investment strategy and withdrawals.
CAPITAL REDEMPTION BOND	This is a long term contract of insurance with a similar tax treatment to life assurance policies in the UK. Capital Redemption Bonds issued by Utmost International Isle of Man Limited or Utmost PanEurope dac have a term of 99 years. Within that period the bond can continue until it is surrendered and does not need to end on anyone's death.
CENTRAL BANK OF IRELAND	The regulatory body for the financial sector in Ireland. It is the prudential regulator of Utmost PanEurope dac.
CERTIFICATE OF VALUATION	This is the certificate issued by our appointed actuary which provides their opinion of the value of your gift into trust for UK inheritance tax (IHT) purposes. It may be used as supporting evidence for HM Revenue & Customs (HMRC) should the gift become chargeable to IHT.
CHARGEABLE EVENT	<p>An event which may trigger a charge to UK income tax in respect of a bond or any individual segment. Chargeable events include:</p> <ul style="list-style-type: none"> <li>› Withdrawals in excess of the 5% annual tax-deferred entitlement</li> <li>› Surrender of a bond or individual segments</li> <li>› Assignment of the bond or individual segments for money or money's worth</li> <li>› Maturity of a fixed term insurance contract or</li> <li>› The death of the last surviving life assured.</li> </ul> <p>All adviser charges agreed between you and your financial adviser and paid from the bond, are treated as withdrawals (partial surrenders) and will form part of your 5% annual tax-deferred entitlement.</p>
CHARGEABLE GAIN	A chargeable gain is the amount which is liable to income tax when a chargeable event occurs. For example, on surrender of a bond, the chargeable gain will be the amount by which the benefits received (the surrender value including any previous withdrawals) exceeds the original investment into that bond less any previous gains reported.
CHARGEABLE LIFETIME TRANSFER (CLT)	A transfer of value from one person to another, which is not an exempt transfer or a potentially exempt transfer, and which may give rise to an immediate charge to UK inheritance tax. A lifetime gift to a Discretionary Trust is a CLT.
DEALING ACCOUNT	The Dealing Account is a cash account that is held inside your bond against which all cash transactions (buying/selling investments, charges, withdrawals etc) will be credited or debited.
'DISCOUNT'	The estimated value of your regular 'income' withdrawals paid to you. This is known as the 'discount' because it reduces the value of your gift into trust for UK inheritance tax purposes.
DISCRETIONARY TRUST	A Discretionary Trust allows the trustees to distribute the benefits or proceeds of a bond as they think fit, to any one or more of the potential beneficiaries described in the Trust Deed.

DRIP-FEEDING	<p>Drip-feeding is where the money invested into your chosen fund is transferred to another selected fund over a period of time e.g. monthly, quarterly, half yearly or annually, with the aim of reducing the effect of potential market fluctuations when switching funds.</p> <p> Drip-feeding is only available under existing Guided Architecture policies.</p>
DONOR	<p>Donor, along with 'Settlor' can describe the person or persons who have put money into trust. The term is often used where the trust is an Absolute or 'bare trust', whereas the term Settlor is used for other trusts such as those discretionary in nature.</p>
EXEMPT TRANSFER	<p>A transfer of wealth from one person to another that is exempt from inheritance tax due to either its amount, purpose or recipient. E.g. A gift of up to the value of £5,000 made by a parent to their child for their wedding is an exempt transfer.</p>
EXTERNAL MANAGER AND CUSTODIAN (EMC)	<p>A regulated firm nominated by the policyholder, but appointed by the insurer, to manage and/or hold a portfolio of investments to which the value of the policyholder's bond is linked. Examples of EMCs include external Discretionary Fund Managers (DFMs) and Platform Providers.</p>
EXTERNAL MANAGER AND CUSTODIAN INVESTMENT ADVISER CHARGE (EMC IAC)	<p>A fee that you agree to pay an External Manager appointed on an advisory basis for the advice provided on the underlying investments. When these charges are paid from inside the bond they do not impact the total 5% annual tax-deferred entitlement as the advice (or service) is classed as investment advice.</p>
FINANCIAL CONDUCT AUTHORITY	<p>The regulatory body that regulates the financial services industry in the UK and oversees the conduct of authorised firms.</p>
FLEX-CHARGE	<p>Flex-Charge is the name given to our charging structure. Within this structure, you can take our product management charge as an initial fee up front, ongoing for the lifetime of the bond or you can choose to apply a mixture of the two options.</p>
GENERAL PRACTITIONER'S REPORT (GPR)	<p>This is a private report on your medical history prepared by your doctor. It is sent to our underwriters to enable them to assess your state of health, before we issue discounted gift schemes.</p>
GRANTEE'S FUND	<p>This is the term we use to describe your right to 'income' withdrawals from a discounted gift scheme.</p>
HMRC	<p>Her Majesty's Revenue &amp; Customs, which is the government body responsible for the collection and administration of tax in the UK.</p>
ILLIQUID	<p>An investment fund may be considered illiquid if it becomes unable to meet redemption (sale) requests or for any reason is unable to deal or trades infrequently, meaning investors may be 'locked in' to investments for long and possibly indeterminable periods of time.</p>
INCOME	<p>Regular withdrawals of capital from a bond.</p>
INSURER	<p>This is the company providing the bond i.e. Utmost International Isle of Man Limited or Utmost PanEurope dac.</p>
IN-SPECIE TRANSFER	<p>The action of changing legal title to a security from one owner to another, specifically without any selling or buying activity resulting in cash movements and realised profit or loss on existing holdings.</p>

INTERNATIONAL BONDS	A term used to describe bonds issued by an insurer located in a jurisdiction outside the UK, such as the Isle of Man or Ireland. These are also referred to as offshore bonds or portfolio bonds.
INVESTMENT ADVISER	This is a person or company nominated by the policyholder and appointed by the insurer to provide the policyholder with investment advice when selecting or switching the funds linked to the value of the bond.
INVESTMENT ADVISER CHARGE (IAC)	A fee that you agree to pay an Investment Adviser in return for the advice (or related services) that they provide on a discretionary or advisory basis. When these charges are paid from inside the bond they do not impact the total 5% annual tax-deferred entitlement as the advice (or service) is classed as investment advice.
ISLE OF MAN FINANCIAL SERVICES AUTHORITY	The regulatory body for the financial sector in the Isle of Man. It is the prudential regulator of Utmost International Isle of Man Limited.
KEY FEATURES DOCUMENT	A document which details the key features, benefits and risks of the product. It must be read carefully and understood before any investment decisions are made.
LETTER OF WISHES	Written guidance from the Settlor to the trustees of a Discretionary Trust. This is a useful way to ensure that the trustees have a clear understanding of the Settlor's wishes and enables the Settlor to update them with any changing family circumstances during their lifetime. Whilst the trustees are obliged to consider the Settlor's wishes, they are not legally bound to follow them.
LIFE ASSURANCE BOND	This is a long-term insurance contract based on one or more lives assured. Utmost life assurance bonds come to an end on either a surrender request from the policyholder, or the death of the sole/last life assured.
LIVES ASSURED	The person(s) on whose lives the continuation of a life assurance bond depends.
NIL RATE BAND (NRB)	The amount of a chargeable lifetime transfer or an individual's estate on death, on which there is no UK inheritance tax to pay. The Nil Rate Band is currently £325,000 and is to remain at this level until tax year 2025/26 at the earliest.
NOTICE OF INTEREST/ BANK ASSIGNMENT	A bank may agree to take a bond as security against a liability owed by a policyholder (e.g. a loan). Where such an arrangement is made, Utmost will place a Notice of Interest on file, recording the bank's interest in the policy. The policy will only be legally assigned to the bank should the policyholder default on their liability with the bank.
OMBUDSMAN	An ombudsman is an independent mediator to whom you can refer a complaint to (where eligible) if we have been unable to resolve it for you to your satisfaction.
PARTIAL SURRENDER	A method of taking money from a bond by taking withdrawals across all policy segments in that bond.
POLICY SCHEDULE	The document reflecting ownership of the policy issued to policyholders at establishment. This lists the product name, charging details and policyholders' details, and must be kept for the duration of the bond.
POLICYHOLDER	This is the legal owner of the bond or a policy segment.
PORTFOLIO	A grouping of financial assets such as funds, bonds, cash deposits and dealing accounts.

PORTFOLIO REBALANCING	<p>This is an optional, automated feature and rebalances the portfolio to the original investment allocation at the chosen frequency helping to maintain the preferred level of risk. Portfolio rebalancing is only available with our Guided Architecture investment option.</p> <p> Drip-feeding is only available under existing Guided Architecture policies.</p>
POTENTIAL BENEFICIARIES	<p>The unnamed members of a category or class of beneficiaries from which the trustees can choose who will benefit from the proceeds of a bond held under a Discretionary Trust. A potential beneficiary hopes to benefit from the trust but does not have a right to benefit.</p>
POTENTIALLY EXEMPT TRANSFER (PET)	<p>A lifetime transfer of value to an individual, an Absolute Trust or to a disabled persons' trust which will be exempt from UK inheritance tax if the person making the transfer survives for at least seven years after making it. A lifetime gift to an Absolute Trust is a PET.</p>
POWER OF ATTORNEY	<p>A legal document that lets the donor appoint one or more people (known as attorneys) to help make decisions on the donor's behalf. This gives the attorneys more control over what happens should the donor no longer be able to make decisions (e.g. illness, accident or lacking mental capacity).</p>
PROBATE	<p>Probate is a term commonly used when talking about applying for the right to deal with a deceased person's affairs and administer their estate. It validates the position of executors or administrators. Third parties (e.g. banks or insurance companies) who hold assets belonging to the deceased will usually require probate documentation before they will release the assets.</p>
PRODUCT WRAPPER	<p>A 'wrapper' is the name given to any product that provides you with a convenient single structure which can hold numerous investments in the one product for ease of administration, dealing and potential tax efficiencies.</p>
RATED AGE	<p>After assessing the information provided by you and your doctor, our underwriters may add years to your natural age to reflect your state of health and their opinion of life expectancy. Your 'Discount' is then determined according to your rated age.</p>
RESIDENCY	<p>For tax purposes, residency is not as simple as where a person lives. A person will usually be classed as tax resident in the jurisdiction that they spend the majority of their time. To assess this, many jurisdictions count the days a person is present in the jurisdiction against pre-determined and defined day counting rules which, under that country's legislation, make a person resident. Other factors, such as having their main home in that country, their family living there and being employed locally can also help build up a picture for the purposes of determining tax residency. The UK has introduced a statutory residence test which sets out the factors HMRC will consider when assessing someone's residency.</p> <p> This is a very complicated matter, details of which are beyond the scope of this document. We strongly recommend that you speak with your financial adviser for more details on residency for your particular circumstances and jurisdiction.</p>
RESIDUARY FUND	<p>This is the term used to describe the balance of your investment in trust for your beneficiaries. On creation of the bond, the Residuary Fund is the value of your investment less the value of the Grantee's Fund (or discount) and is the estimated value of your gift to trust for UK inheritance tax purposes.</p>
SEGMENT	<p>A bond is made up of a series of identical policy segments. Each segment is a contract between the policyholder and either Utmost International Isle of Man Limited or Utmost PanEurope dac (depending on your bond), each segment carries its own right to full surrender and any applicable charges.</p>

SETTLOR	Describes the person(s) who have put money into a Discretionary trust.
SINGLE PREMIUM	A lump sum investment into the bond.
SURRENDER	When the policyholder encashes an entire bond or one or more segments in exchange for its surrender value. The surrender value is the unit value of each segment at the time of surrender less any outstanding charges.
SURRENDER VALUE	The value realised from the sale of the Units of the Policy or individual Policy Segments less any applicable pro rata charges and any applicable third party charges due, including any charges applied by issuers of underlying funds and any tax withheld.
TAPER RELIEF	Taper relief may reduce the charge to UK inheritance tax arising on a lifetime gift when death occurs between three years and seven years after it was made, but only to the extent that the gift value exceeds the Nil Rate Band (NRB).. If the available NRB is sufficient to cover the gift, no tax charge will arise so taper relief does not apply.
TERMS AND CONDITIONS	A legal document relating to the policy, issued at the start of the bond. It sets out how the policy will operate throughout its lifetime, how charges are taken and how the policy is valued, all the way through to making withdrawals and the final surrender process.
TOP-SLICING RELIEF	It may be possible to reduce a person's liability to higher rate tax (HRT) of 40% (up to £150,000 of taxable income) or additional rate tax of 45% (over £150,000 of taxable income) on a chargeable gain in certain circumstances. This is called top-slicing relief. Top-slicing relief cannot apply if a person is already a higher rate taxpayer and will remain so after the addition of any policy gain. Top-slicing relief cannot apply if a person is already an additional rate tax payer.
TRUST	A trust is a legal arrangement where one or more trustees are made legally responsible for holding assets. The assets (such as land, money, buildings, shares or even antiques) are placed in trust for the benefit of one or more beneficiaries.
TRUST FUND, TRUST ASSETS, TRUST PROPERTY	This is the cash, property or investments held within a particular trust.
TRUSTEES	Trustees are the persons appointed by the Trust Deed or subsequent Deed of Appointment to be the legal owners of the trust fund. The trustees have legal duties to fulfil, and must manage the trust fund in the interests of the beneficiaries.
UK DOMICILE	Domicile is a legal term which can be important for UK inheritance tax (IHT) planning. Typically, a person will inherit a UK domicile from their father, known as a domicile of origin. A person's domicile can be changed in life either by the parent of a minor moving country (domicile of dependence) or by an adult making a new country their home (domicile of choice). A person could therefore acquire a UK domicile even if they were not born in the UK. This is a very complex matter and the detail is beyond the scope of this document. If you are UK domiciled, your worldwide estate will be subject to UK IHT on death.
UK INHERITANCE TAX (IHT)	The tax payable on some lifetime gifts and upon death. Subject to any reliefs which may be available, there are currently three rates of IHT. 0% for transfers within the nil rate band, 20% on chargeable lifetime transfers which exceed the nil rate band and 40% on death. A reduced rate of 36% applies if a person gives away at least 10% of their net estate to charity (i.e. after deductions such as the available NRB and exemptions). The 40% IHT rate will apply for any other estate.

<p>UNDERLYING OR LINKED INVESTMENTS</p>	<p>These are the investment funds or cash deposits selected by the policyholder, their Investment Adviser or an External Manager. The value of the bond is linked to the chosen underlying or linked investments. We refer to these investments as being linked, as the investments are wrapped within the bond and owned solely by the insurance company, not the policyholder(s).</p>
<p>UNDERWRITING</p>	<p>This is the process by which underwriters provide us with their opinion of your life expectancy from the information provided by you and/or your GP. This is used to determine any rated age and consequently any discount.</p>
<p>UNIT VALUE</p>	<p>The value of units in any particular fund will vary from day to day. Investment funds will value their units daily, others will be valued less frequently.</p>
<p>WITHDRAWALS</p>	<p>Withdrawals are sums of capital withdrawn from the bond and paid to you on a one off or regular basis. Regular withdrawals are usually made using partial surrenders to make use of the 5% annual tax-deferred entitlement.</p> <p> Any adviser charges relating to personal recommendations that are paid from the bond to your financial adviser will be treated as a withdrawal and will form part of your total 5% annual tax-deferred entitlement. This could have potential tax consequences and you should discuss this with your financial adviser before making a withdrawal, surrender, or payment of adviser charges from the bond.</p>



Information in this guide relating to law and taxation is based on our interpretation of current law and taxation practice in the Isle of Man, Ireland and the UK, as at **July 2022**, which may change in the future and is subject to individual circumstances. There is therefore a risk that the nature and value of the tax treatment of any bond may change.



# NEXT STEPS

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Your financial adviser will be able to help you with any questions you may have regarding any of the terms described in this document. It is important to discuss your financial needs and circumstances with your financial adviser so that you can find out what's right for you.

# CONTACT US

If you have any further questions, please speak to your financial adviser or contact us:

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Utmost Wealth Solutions is registered in the Isle of Man as a business name of Utmost International Isle of Man Limited.

Utmost PanEurope dac is regulated by the Central Bank of Ireland (No 311420). Its registered office is Navan Business Park, Athlumney, Navan, Co. Meath C15 CCW8, Ireland. Utmost PanEurope dac is a Category A Insurance Permit holder with the Jersey Financial Services Commission.

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