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Onshore Bond

Frequently asked questions

General

Q What is an Onshore Bond?

A It's an investment set up by a UK Life insurance company. It aims to provide a flexible method of investing money in funds for growth or income.

Q Who can apply for the Onshore Bond?

A A maximum of two policyholders aged over 18 can apply for an Onshore Bond.

Q How does the Onshore Bond work?

A It's set up as a unit-linked life assurance policy with a death benefit of 101% of the surrender value. Each bond can have up to 10 lives assured named on it. The life cover element is based on these lives. The maximum age of a single life assured is 89, but lives assured may be older than that if there is at least one other life assured younger than 90. There is no minimum age.

We've set up the bond in 1,000 segments. This can give your clients tax advantages by allowing them to cash in whole segments to make one-off withdrawals. They can also make specific monetary withdrawals equally across all segments.

Q What funds do you offer?

A We offer access to over 6,000 funds with a range of asset classes and sectors, including model portfolios and the Smooth Managed Funds.

We don't offer investment trusts or shares.

The Onshore Bond has a transactional cash account within it to simplify the buying and selling of funds. It's also used for charges and fees. A model portfolio may hold transactional cash, but you won't be able to select it as an investment option. We don't add interest for any balance of transactional cash.

We'll only permit an asset that would mean your Onshore Bond isn't classified as a "Personal Portfolio Bond". The personal portfolio bonds legislation is an anti-avoidance measure which imposes a yearly charge to tax on certain life insurance policies, where the policyholder is able to select the property that determines the benefits payable on those policies.

Q What is the Aviva charge?

A This is the amount we charge for managing the money held in the bond.
We charge 0.25% for the first £400,000 and 0.15% for anything above £400,000.

Your client may also have to pay fund manager, trading, adviser and discretionary investment manager (DIM) charges.

Q What about tax?

A Aviva Life & Pensions UK Limited is liable to corporation tax on the income and capital gains arising on the investments we make on your behalf in your chosen funds.

For insured funds like the Smooth Managed Fund, a charge is allowed for in the price of the units to cover the estimated tax liability. For other investments, we take charges at different points throughout the year to cover the estimated tax liability. We calculate the charge once a year, as and when funds are sold, and on any income generated by a fund.

The bond will be treated as though tax at basic rate has been paid on gains and your client will not normally have to pay basic rate tax on gains. Your clients will have to report a chargeable event gain and may have to pay income tax when they withdraw money if they are a higher rate or additional rate taxpayer or if the gain on the Onshore Bond makes them a higher rate or additional rate taxpayer. Top slicing relief may be available to your clients, for further details, please see our guide "Making withdrawals less taxing" (IN06079).

Your clients can withdraw up to 5% a year of the total amount invested in the Onshore Bond with no immediate need to pay further income tax. Any potential liability is deferred until the bond comes to an end. At that point, we'll carry out a final calculation to see if there is a taxable gain. If your clients don't use all of their annual allowance, they can carry it forward to future years up to a maximum of 100% of the total amount invested.

Account management

Q What methods of payments do you accept?

A We accept electronic payments or cheque.

Q Is there a cancellation period?

A Yes. The cancellation period is 30 days from when we receive the payment.
We'll refund the initial lump sum payment, less any amount by which the investment might have fallen in value due to market movements. We won't return any adviser charges already taken.

Q What are the minimum and maximum investment amounts?

A The minimum single payment is £10,000. Your clients can make additional investments of at least £1,000 at any time.

There is no maximum investment for the bond. However, in most cases the maximum your client can invest into any Smooth Managed Fund is £1m. Please speak to your Aviva contact if you have clients who want to invest more than this.

Q Can I use a trust with the Onshore Bond?

A Yes. We have a range of trust options available, such as Discretionary Discounted Gift Trust. You can see these in the **Document Library**.

Q Can my clients withdraw money from the Onshore Bond?

A Yes. Your clients can make one-off withdrawals at any time, with a minimum amount of £1,000. They can also set up regular withdrawals to pay a minimum of £25 every month, quarter, six months or year.

Q What is the allocation rate?

A The Onshore Bond has a 100% allocation rate.

Q Can advisers take charges from an Onshore Bond?

A Yes. You can take an initial adviser charge, which we take from the initial payment amount before investing the money. We calculate the 5% tax deferred allowance on the net investment after we've paid the charge.

You can take ongoing adviser charges as a percentage of the fund value or as a specific monetary amount. Ongoing adviser charges count towards the 5% tax deferred allowance. If your client chooses to use models, discretionary investment manager (DIM) charges may apply. DIM Charges count towards the 5% tax deferred allowance.

Q Can my client switch funds?

A We offer unlimited, online switching. There may be restrictions switching into certain funds. We limit switches in and out of any Smooth Managed Fund to one switch in each calendar quarter (1 January - 31 March, 1 April - 30 June, 1 July - 30 September, 1 October - 31 December).

Q Are there any early exit charges?

A No early exit charges apply.

Q What happens when the last life assured dies?

A We'll pay 101% of the value of the units held in the Onshore Bond. The Onshore Bond ends following the death of the last life assured.

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