

# HSBC Life Onshore Investment Bond for Platforms

## Product Brochure

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## This product brochure explains the HSBC Life Onshore Investment Bond for Platforms

It is intended solely for customers working with their adviser who will guide them on the merits and suitability of this Bond and the related investment approach. The platform is provided by the third-party platform service provider. HSBC Life (UK) Limited as the provider of this Bond does not give investment advice.

You should also read the following documents:

- ◆ Key Features – explains key information about the Bond; and
- ◆ Guide to Charges and other Important Information; and
- ◆ Policy Document – sets out all the Bond's terms and conditions; and
- ◆ Your Terms of Business with your adviser – contains details of the Key Features, Terms and Conditions and charges applying for your use of their services; and
- ◆ Key Information Document (KID) and accompanying investment document(s). (Your adviser will provide you with a Key Information Document for the Onshore Investment Bond for Platforms and each fund you select. These documents are also available via [www.life.hsbc.co.uk/customers/resource-library](http://www.life.hsbc.co.uk/customers/resource-library).

Type in 'Key Information Document' in the search bar and select your platform and funds from the list of documents provided.

Please also refer to the terms you have agreed with your adviser for the provision of advisory services and your platform terms and conditions.

Your adviser will need to access the HSBC Life Investments website (HSBC extranet) to manage this investment on your behalf.

Please note that the funds are selected at your own risk and as recommended by your financial adviser. Only you or your financial adviser can decide which funds to select for your Bond. In order for you to invest in this Bond and to access one of the available platforms your adviser must have terms of business with the platform.

### Important Information:

- ◆ You need to invest a minimum lump sum of £25,000
- ◆ You need to keep least 1% of the value of your Bond in cash at all times to allow fees and charges to be collected.

- ◆ You should view the investment as medium to long-term (at least five years). If you cash in early you may not get back as much as you originally invested.
- ◆ The minimum amount of top up is £500.
- ◆ Your Bond will be divided into a number of separate and identical policies. You choose the number of policies you wish to hold, subject to a maximum of 1,200 and to a minimum investment of £1,000 in each.
- ◆ Withdrawals are subject to a minimum £100 for each payment, and maximum 10% yearly of your initial investment.
- ◆ If you make a partial surrender, your remaining Bond must have an investment value of at least £2,000.
- ◆ Fund managers may impose minimum trade sizes limiting the number of funds you can select.

**HMRC requires most trusts to be registered with the Trust Registration Service (TRS). A copy of the TRS certificate showing that the trust has been registered must be provided to HSBC Life before an application can be processed. If you require further information about the TRS, including how to register, please visit our website <https://www.life.hsbc.co.uk/customers/trs>.**

The value of investments can fall as well as rise and you may not get back what you invested. For some investments this can also happen as a result of exchange rate fluctuations as shares and funds may have an exposure to overseas markets. HSBC Life (UK) Limited cannot be held responsible for the investment performance of your Bond.

The impact of taxation (and any tax reliefs) depends on your individual circumstances. The information contained in this Product Brochure is based on our understanding and interpretation of current UK tax law and HM Revenue & Customs (HMRC) practice. Tax law and practice may change in the future.

HSBC Life (UK) Limited is not responsible for any action you may or may not take as a result of information contained in this Product Brochure, which you should discuss with your financial adviser.

# Introducing the Onshore Investment Bond for Platforms

Traditionally, the usual choice for investors seeking professionally managed funds has been between insurance based products (investment bonds) and collective investments such as unit and investment trusts, open-ended investment companies (OEICs), SICAVs and exchange traded funds (ETFs).

The collective investments in your portfolio are selected from a wide range available on your adviser's platform. The fund selection can be made by you, your adviser or a discretionary fund manager, depending on your terms of business with your adviser. Your funds can be viewed, valued and traded online by your adviser, making it easy to manage your portfolio.

Your adviser will guide you on suitability but generally this investment is designed for investors looking for any of the following:

- ◆ a professionally managed portfolio of collective investment schemes funds rather than a direct investment in stocks and shares;
- ◆ a flexible, comprehensive, investment portfolio service which is fully transparent;
- ◆ ability to influence the timing of any tax liability on your portfolio;
- ◆ control of capital whilst enabling effective planning for inheritance tax;
- ◆ a long term investment for trustees investing a trust fund;
- ◆ a tax-efficient way to draw income from an investment portfolio.

It is not designed for non-taxpayers, non-UK residents and short-term (less than five years) investors.

# Benefits at a glance

Below is a table of which benefits will be applicable, dependant on application type.

Detailed explanations of each benefit can be found below.

Benefit	Individual/Joint	Trusts	Limited Company
Investment choice	✓	✓	✓
Simplicity	✓	✓	✓
Flexibility	✓	✓	✓
Transparency	✓	✓	✓
Tax efficient withdrawals*	✓	✓	✗
Individual tax calculations	✓	✓	✓
Multi-life facility	✓	✓	✓
Multi-owner options	✓	✓	✗
Additional investments	✓	✓	✓
Inheritance planning	✓	✓	✗
Residual income payments	✓	✓	✓
Family linking	✓	✓	✗

\*Please note the 5% tax deferral withdrawal is not applicable to Limited Companies.

# Benefits at a glance

- ◆ **Investment choice** – working with your adviser, your investment portfolio can be constructed from a selection of collective investments traded on your adviser's platform.
- ◆ **Simplicity** – all the underlying investments in your Bond are held on your adviser's platform. This means that your fund holdings can be viewed, valued and traded online at any time by your adviser – making it straightforward to manage your portfolio and facilitating a consistent investment strategy across all assets you hold on the platform.
- ◆ **Flexibility** – your Bond will be divided into a maximum of 1,200 separate and identical policies. As each policy can be treated independently, you have flexibility to undertake tax planning strategies tailored to individual needs and tax circumstances.
- ◆ **Transparency** – all transactions are undertaken through a cash account which is divided equally across all the policies in your Bond. Payments are separately itemised and documented on your half-yearly statements, so that you have a clear picture of the charges and deductions which apply.
- ◆ **Tax efficient withdrawals** – you can supplement your income by taking regular withdrawals from your capital in a tax-efficient way. (See page 8 for more details). For Limited Companies – please see the Limited Company Investor Guide for the tax treatment of surrenders and withdrawals.
- ◆ **Individual tax calculations** – rather than making a flat rate deduction for tax on investment growth, we calculate corporation tax liability individually for each Bond according to the underlying investments held. As tax rates vary by fund there is potential for you to adjust the tax liability through fund choice. The process is totally transparent as the tax deduction is shown as a separate item on your "half-yearly" statement. For more details, please see page 7.
- ◆ **Multi-life facility** – unless your Bond is cashed in it will continue until the death of the last surviving life insured. As you can insure up to ten lives (from a minimum age of three months and no maximum age limit), this investment can be used to span several generations.
- ◆ **Multi-owner options** – you can take out this Bond on your own or jointly with up to nine other policy owners. Combined with the multi-life facility, this makes the Bond a highly effective vehicle for a range of trust and tax planning scenarios. **This benefit does not apply to Limited Companies.**
- ◆ **Minimum investment** – the minimum initial investment is £25,000.
- ◆ **Additional investments** – you can add additional amounts from £500. Topping up your investment at any time means you have the flexibility to manage all your investments in one Bond.
- ◆ **Inheritance planning** – a range of trust options is available to assist with inheritance tax planning and mitigation. Please refer to your adviser for guidance. **This benefit does not apply to Limited Companies.**
- ◆ **Residual income payments** – we credit residual income payments to you after the Bond is surrendered. An additional payment may be made 11 weeks after full surrenders where any further income has been received, following sale of fund holdings and this is greater than any remaining charges.
- ◆ **Family Linking** – this facility means we will add together the initial investment amounts from qualifying family members' Bonds to calculate the Annual Management Charge that will apply to your investment. Full details are provided in the Terms and Conditions. **This benefit does not apply to Limited Companies.**

For Limited Company Investments: Please also refer to our 'Limited Company Investor guide'

# Investment choice

In today's challenging investment climate, it is more important than ever to have the widest investment choice. With some investment products you are restricted to in-house fund management or in-house versions of funds (often called 'mirror funds'). The HSBC Life Onshore Investment Bond for Platforms is an 'open architecture' product which allows you to be invested directly into a wide range of collective investments, so that the investment performance of your Bond will fully reflect the value of the underlying funds you hold.

This open architecture investment choice is achieved through access to your adviser's platform which supports a wide range of funds including unit and investment

trusts, open-ended investment companies (OEICs), exchange traded funds (ETFs) and SICAVs from a variety of fund management companies.

Other than the minimum investment levels which apply to each asset you hold in your portfolio, there are no restrictions on how your investment is spread. Working with your adviser, whether on an advisory, discretionary or 'execution only' basis, a sophisticated investment portfolio can therefore be constructed within your Bond to meet your individual circumstances and requirements.

For details of the current fund range, please refer to your adviser.

# Simplicity

As well as providing a facility for funds to be bought and sold, your adviser's platform offers a full wrap service. Wrap services make use of the latest technology to enable the assets in your investment portfolio to be viewed, valued and traded online.

Use of this technology greatly simplifies the management and administration of your portfolio with clear benefits for you and your adviser alike:

- ◆ Instant online access to your portfolio, providing a timely and consistent view of your fund holdings;
- ◆ Effective monitoring of your portfolio and the ability to react quickly to changing circumstances;
- ◆ A single point of access to a wide choice of investments, resulting in a significant reduction in paperwork both for you and your adviser;

- ◆ Potential for higher net returns by making timely switches;
- ◆ Investment strategy can be co-ordinated with other investments held on the platform.

Dealing orders can be placed online and, subject to minimum investment levels, there is complete flexibility to move monies between funds held in your portfolio. Moreover, as your overall investment is held within an investment bond, trades between funds can be undertaken without triggering any personal liability to capital gains tax.

In addition to the online valuation facility provided by your adviser's platform you will receive a full statement, half yearly on the anniversary of your Bond's commencement date, showing the value of each investment in your portfolio together with a summary of all transactions over the period.

# Transparency

Central to the operation of your Bond is a cash account, divided equally across the policies in your Bond, which ensures transparency of charges, credits and deductions. At the outset, your investment amount will be allocated to the cash account, pending purchase of fund holdings. This cash account forms part of your investment portfolio and is used to debit the cost of fund purchases and credit the proceeds from fund sales. Interest is calculated daily based on the balance in your account and credited monthly. For details of current interest rates please speak to your adviser.

The cash account is used to manage all transactions on your Bond including income receipts, charge deductions, and taxes deducted at source. Each transaction is shown as a separate item so charges are broken down and you have a clear picture of the different costs and deductions which apply to your investment portfolio. Half yearly statements include a cash history which provides a summary of all transactions through your cash account.

Another advantage of the cash account is that it can be utilised in conjunction with the investment strategy for your Bond (for example for monies awaiting investment

or as a cash shelter in times of market volatility). You must retain a cash balance of at least 1% of the value of each policy in your Bond but otherwise there are no restrictions on the level of cash you can hold in this account.

Transparency also applies to the tax deductions made on the growth of the underlying investments in your Bond. With many insurance based investments this cost is hidden as the tax liability is allowed for by adjustment to the unit prices of the underlying funds.

We undertake an individual tax calculation to reflect the tax liability based on the funds you hold in your Bond. This amount is disclosed as a monthly deduction from your cash account, giving you and your adviser the opportunity to adjust the tax liability through the choice of funds held in your Bond. More details are given on page 7.

Each fund which you select has its own management charges and these are generally deducted within that fund rather than as a separate transaction.

# Charges

Charges are broken down according to the services you receive and there are no hidden costs. The following is an overview of the charges which apply; for further details, please refer to the Key Features document.

## Our charges

We do not apply any initial charges or exit charges. The only charge we apply is an annual management charge as follows:

- ◆ Annual management charge. To cover our administration costs, there is an annual management charge which is calculated daily based on cash, shares and units held, and deducted from your cash account on a monthly basis. For more information, please refer to the Summary of Charges and Other Important Information document.
  - For top-up investments the level of the charge will take into account the previous amounts you have invested. For example, if you originally invested £100,000 and are now adding a further £75,000 to your Bond, an annual management charge of 0.30% would apply to the top-up investment. The level of charge being applied to your original investment would not change.
  - For Bonds that qualify for family linking, we will add together the initial investment amount of all Bonds when calculating the Annual Management Charge.
- ◆ Tax deduction (monthly) to account for tax due on the underlying investments held in your Bond.

## Platform charges

Your selected platform's annual management charge will be deducted from your cash account and disclosed in your 6-monthly statements.

## Discretionary fund management fees

If you appoint a discretionary fund manager, any discretionary fund management fees (inclusive of any VAT) will also be deducted by the platform to pay for the services provided.

The discretionary fund management fee will be deducted from your cash account and disclosed in your 6-monthly statements.

## Fund charges

Each fund has its own charges which will be deducted within that fund. However, your adviser's platform will usually negotiate advantageous terms with fund managers such that any initial charge is low (and often zero). Please refer to your adviser for details of fund charges on their platform.

## Adviser charges

We will deduct charges from your Bond to pay your adviser for the services they provide. Please refer to your adviser for details of the charges which apply.

The charges we pay will depend on the terms you have agreed with your adviser and is determined independently of the product we provide. However, where you have consented to adviser charges being taken from your Bond, we will deduct them and pass them to your adviser. These payments will be taken from your cash account, and shown as separate items on your statements.

**Please note that there may be tax implications for the deduction of initial, on-going and any ad-hoc adviser charges from your Bond (please see page 8 for more details).**

# Tax treatment

## Individuals/Trust

The tax treatment for individuals holding collective investments within an investment bond is different to holding them directly. Depending on your individual circumstances, this may create tax planning opportunities.

This section is designed to give you a summary of the tax treatment of your Bond. Please note that the following information is based on our understanding and interpretation of UK tax legislation as at April 2024. UK tax law and practice are subject to change. Please refer to your adviser for tax guidance.

**Please be aware that the value of tax benefits will depend on your individual circumstances and tax rules and rates may change in the future.**

## Tax within your Bond

The HSBC Life Onshore Investment Bond for Platforms is a life insurance contract issued by HSBC Life (UK) Limited. The company is subject to corporation tax on any income and capital gains arising from the underlying investments in your Bond.

We provide for this by calculating the liability daily, based on the underlying investments in your Bond, and collecting a monthly deduction from the cash account.

This is different to providers offering in-house versions of funds, known as 'mirror funds', where it can be unclear how much tax is being taken because tax liability is allowed for by adjustment to the unit prices of each mirror fund. By contrast, with the HSBC Life Onshore Investment Bond for Platforms, we calculate an amount to reflect your share of the total tax due. This amount is clearly shown on your half-yearly statements.

We apply different rates of tax deduction to different funds for both income and gains. Currently, the maximum applicable tax rate is 20% of the annual growth on your underlying investments but you typically pay less than this. For further information please refer to your adviser.

Please note that this tax deduction is non-reclaimable, so this Bond is unlikely to be a suitable investment if you are a non-taxpayer.

As your funds are held within a life insurance bond you have freedom to buy and sell funds without triggering a personal Capital Gains Tax (CGT) liability. This allows you to rebalance or adjust your portfolio without capital gains tax implications which can be a potential constraint to investment decisions where collective investments are held direct.

## Tax on your Bond's proceeds

The tax that is paid on the underlying investments in your Bond offsets the basic rate tax liability that would otherwise be due when taking proceeds from your Bond. You will be treated as having already paid tax at a notional rate of 20% even where the actual amount we have deducted from your cash account is less than 20%.

When a taxable event occurs you will have no further tax liability on your gain (profit) unless you are a higher rate or additional rate taxpayer at that time, or the gain takes you into a higher rate of tax, or the gain reduces the personal allowances that you would otherwise be entitled to.

Taxable events include:

- ◆ Cashing in one or more of the policies within your Bond,
- ◆ Withdrawing more than your 5% cumulative allowance in any year,
- ◆ Cashing in all of your Bond,
- ◆ Changing the ownership of (assigning) all or part of your Bond for money, or money's worth,
- ◆ Payment of the death benefit.

Any taxable gain will be subject to the difference between basic rate and higher rates of income tax, i.e., 25% if you are a 45% taxpayer.

## Tax planning

By planning ahead, you may be able to take advantage of opportunities to minimise tax liability when you take proceeds from your Bond.

### 5% yearly withdrawal allowance

Another feature of this investment bond is that you are able to take withdrawals of up to 5% of each amount invested, less any initial adviser fee and ongoing adviser fee, each year (for up to 20 years from the date of investment) without incurring an immediate liability to tax.

If you do not use up your allowance in any given year, you can carry it forward for future use. Therefore, by taking withdrawals of up to 5% across each policy in your Bond, tax can be deferred until one or more of your policies are surrendered or until your 5% allowances have been used up.

You should note that the amount of any financial adviser charges deducted from your Bond will count towards your yearly 5% allowance. However, this does not apply to adviser charges where you have agreed to pay the charge direct to your adviser rather than through your Bond.

### Top slicing

If the gain from your Bond pushes you into a higher rate tax band you may claim a special type of relief known as 'top slicing'. This may reduce or remove your liability to higher rate tax on the gain.

### Multiple policies

We divide each Bond into a number of individual policies which allows you greater flexibility from a tax planning perspective.

You can take proceeds across all policies or by surrendering a number of individual policies, or a combination of both.

The best method of taking proceeds from your Bond will ultimately depend on tax rates, legislation and your personal circumstances.

## Personal allowances for higher earners

For higher earners the personal allowance reduces by £1 for every £2 of income above £100,000. This reduction applies irrespective of age.

If the total income (including the total gain on your Bond) is below the £100,000 limit, your personal allowance is not affected. If your total income is more than £100,000 your personal allowance will be reduced or lost.

### Personal Savings Allowance

It may be possible to offset chargeable event gains (up to £500) against the Personal Savings Allowance if you are a higher rate taxpayer at the time the taxable event occurs. However, this is not available for additional rate taxpayers and depends on the amount of any other savings income to be offset.

### Inheritance tax

If the value of your estate when you die is likely to be more than the nil rate band (£325,000 for individuals), the amount in excess of this band will be subject to inheritance tax. This tax is also payable on transfers out of your estate. These might be due to your death or to certain 'gifts' which you make.

Whilst there are some significant reliefs and exemptions available (including the main residence nil rate band), without careful planning your beneficiaries may still receive less than they otherwise might if the estate you leave them is reduced by a liability to inheritance tax.

By insuring multiple lives, your Bond can continue until the death of the last surviving life insured.

With the option to insure up to 10 lives (from age three months upwards) you have flexibility to shelter assets from inheritance tax liability over several generations.

Also, a range of trust options are available, whether you are seeking to avoid the need for your beneficiaries to await probate in the event of your death, or to make gifts during your lifetime to reduce the value of your estate for inheritance tax purposes. Please refer to your adviser for further details.

A Discounted Gift Trust can be used to achieve an immediate reduction in your estate for inheritance tax purposes, whilst retaining access to a regular stream of capital payments to provide you with an income during your lifetime.

If you are unable to give away any assets a Loan Trust, whilst it will not provide any immediate saving in inheritance tax, can be used to ensure that any growth

on the investment made by the trustees will be outside of your estate for inheritance tax purposes.

Alternatively, if you are able to give away a substantial sum, a Gift Trust will have the effect of immediately reducing your potential inheritance tax liability.

**Please note that there may be tax implications for deduction of initial, on-going and any ad-hoc adviser charges from your Bond.**

## **Limited company**

A limited company may invest in the HSBC Life Onshore Investment Bond. The tax treatment for a limited company is different to that of individuals/Trusts and, provided the company fulfills various conditions, it can obtain tax deferral on its investment until the bond is surrendered. Please see the Limited Company Investor Guide for details of how the bond is taxed within a limited company.

# About us

The HSBC Life Onshore Investment Bond for Platforms is provided by HSBC Life (UK) Limited.

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## **HSBC Life (UK) Limited**

HSBC Life (UK) Limited is incorporated in England and is a company limited by shares.

The main business of HSBC Life (UK) Limited is writing life policies.

As part of our reporting requirements, we publish an annual Solvency and Financial Condition Report (SFCR). This tells you about our business and its performance. It also outlines our system of governance, risk profile, valuation for solvency purposes and capital management. You can find a copy of our current SFCR by visiting [hsbc.com](http://hsbc.com) or you can request a copy by calling us on 0345 603 9164.

## Accessibility

To find out more about our accessible services or if you would like this in another format such as large print, Braille, Text relay or audio, please write to us at HSBC Life (UK) Limited, Administration Office, PO Box 1053, St Albans, AL1 9QG, or call us on 0345 603 9164.

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