

Why use Capital Redemption Bonds?

A Capital Redemption Bond (CRB) is broadly similar to a Life Assurance contract. The notable differences are that a CRB has a maximum term of 99 years and its longevity is not linked to ‘lives assured’ as a CRB does not have any!

As there are no lives assured, then should the policyholder die, the CRB continues and can be passed on through a succession of subsequent owners without interruption or incurring any unintended penalties/early surrender charges.

If the bond is not surrendered, a maturity value is payable on the maturity date which is 99 years from the start date of the policy.

A CRB can have a number of advantages over a Life Assurance variant in that it can provide increased simplicity and flexibility for individuals, trustees and corporate investors who wish to engage in long-term tax or succession planning, as follows:

- Not having to appoint individuals as lives assured may make this version a more suitable solution for trustees and corporate investors looking to maximise the term of the planning
- As there are no lives assured, there is greater flexibility for passing on the investment to a successive person appointed under the terms of a will or through a trust
- As the plan does not end on death, it also provides flexibility in the timing of when benefits may be taken out of the plan and when or where tax charges may arise
- On full or part surrender, the policyholder(s) can control the timing of when or where tax charges may arise. This could be by deferring cashing in the plan until they are in a more advantageous tax position, by passing it on to another surviving owner or waiting until they are resident in a more tax friendly jurisdiction
- Should the policyholder be UK resident, then on their death there is no chargeable event as the policy does not come to an end
- For estate planning, the CRB may be beneficial for long-term Inheritance Tax (IHT) planning, where property is passed on through a succession of policyholders without interruption, or, for non-domiciled UK residents, where it is classed as excluded property for IHT purposes.

Summary of capital redemption version

- Available to individuals, trustees and corporate investors.
- No lives assured.
- Fixed 99 year term.
- Guaranteed minimum maturity value.
- Increased tax planning flexibility.
- Can be passed on through a succession of policyholders without interruption.
- May be a more suitable solution for trustee/corporate investors.