GUIDE TO RL360 PLANS (NON-UK RESIDENT)

INTRODUCTION

The purpose of this guide is to provide information about using an RL360 plan as an investment vehicle and to consider its use when recommending tax and investment strategies.

WHAT IS AN RL360 PLAN?

An investment wrapper that allows **lump sum** or **regular** payments. It can be setup on either a life assurance (whole of life) or a capital redemption basis:

- Where it has been written on a **life assurance** basis, it will come to an end on the death of the sole or last surviving life assured.
- Where it has been written on a **capital redemption** basis, it has a fixed term and a guaranteed value at the end of that term. At maturity (after 99 years) the value is guaranteed to be at least twice the sum invested less any withdrawals.

Both versions can be surrendered at any time, but an early exit charge may apply.

ACCESS

Although they should be considered a medium to long term investment, if required (subject to any early exit charge that may apply) the funds can be accessed at any time.

INVESTMENT FLEXIBILITY

It could be a suitable investment vehicle where a broad range of investment choices are required. The investor can choose between thousands of investment funds including pooled funds such as unit trusts and open-ended investment companies (OEICs), institutional funds, hedge funds, cash deposit accounts and many more.

TAXATION

An RL360 plan is issued in the Isle of Man (IOM) and designed to accumulate income and gains in virtually a tax-free environment. Consequently, there is no ongoing liability to IOM tax if benefits are not accessed; this is known as 'gross roll-up'.

Certain investment funds may have a non-reclaimable withholding tax on income that is received which is deducted at source.

There is also no IOM tax liability on switching between the underlying funds should investment conditions and/or individual circumstances change.

The actual taxation can vary depending on the jurisdiction that the client is tax resident when they both hold the investment wrapper and take any benefits. In some cases the idea of 'gross roll-up' may not apply.

Where gross roll-up does not apply, by adopting a less active fund management style and investing into non-income producing assets, an RL360 plan could be considered comparable to other available investments.

PLANNING OPPORTUNITIES

An RL360 plan could offer a number of planning opportunities for your client.

1. Segmentation

While only one plan schedule is issued, it can be issued with up to 100 plan segments, (999 segments on PIMS); each plan segment representing a plan in its own right. This allows flexibility when:

Transferring benefits to others

Situations could require that the proceeds of an RL360 plan be divided between different parties. Segmentation allows it to be split and whole plan segments transferred to a different plan owner. Each plan owner will have their own RL360 plan segments with their own set of fees (standard and establishment).

Segmentation avoids the need for having to surrender to release funds; instead there is the ability to remain invested in the markets. The new plan owners are now in control to access capital when it is required from their individual plan.

In some jurisdictions the gifting of a plan or plan segments may be subject to a gift/donation tax.

Tax planning

Any tax liability when accessing funds falls on the plan owner. Segmentation allows a plan owner to gift plan segments to an individual (over 18 years old). The new owner is then able to surrender their plan segments in their own name with the tax liability falling on the owner of the segments being surrendered.

2. Trusts

It can be held within a trust structure which could be useful to:

- Assist with UK inheritance tax (IHT) planning for individuals that are currently or could in the future be treated as a UK long term resident
- Help succession planning and enable gifting of assets
- Avoid the requirement for having to obtain Isle of Man probate
- Nominate beneficiaries to receive any proceeds after the death of the plan owner

The concept of a trust is not always recognised for tax purposes in all jurisdictions. Therefore, holding an RL360 plan within a trust structure may not offer any additional benefits than if it were to be held in the individual's own name.

IMPORTANT NOTES

For financial advisers only. Not to be distributed to, nor relied on, by retail clients.

The taxation of an RL360 plan can vary depending on the version used and the jurisdiction that the client is tax resident when they both hold the RL360 plan and take any benefits.

You should note however, that we cannot take on the role of an individual taxation adviser and independent confirmation should be obtained before acting or refraining from acting upon the information given.

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