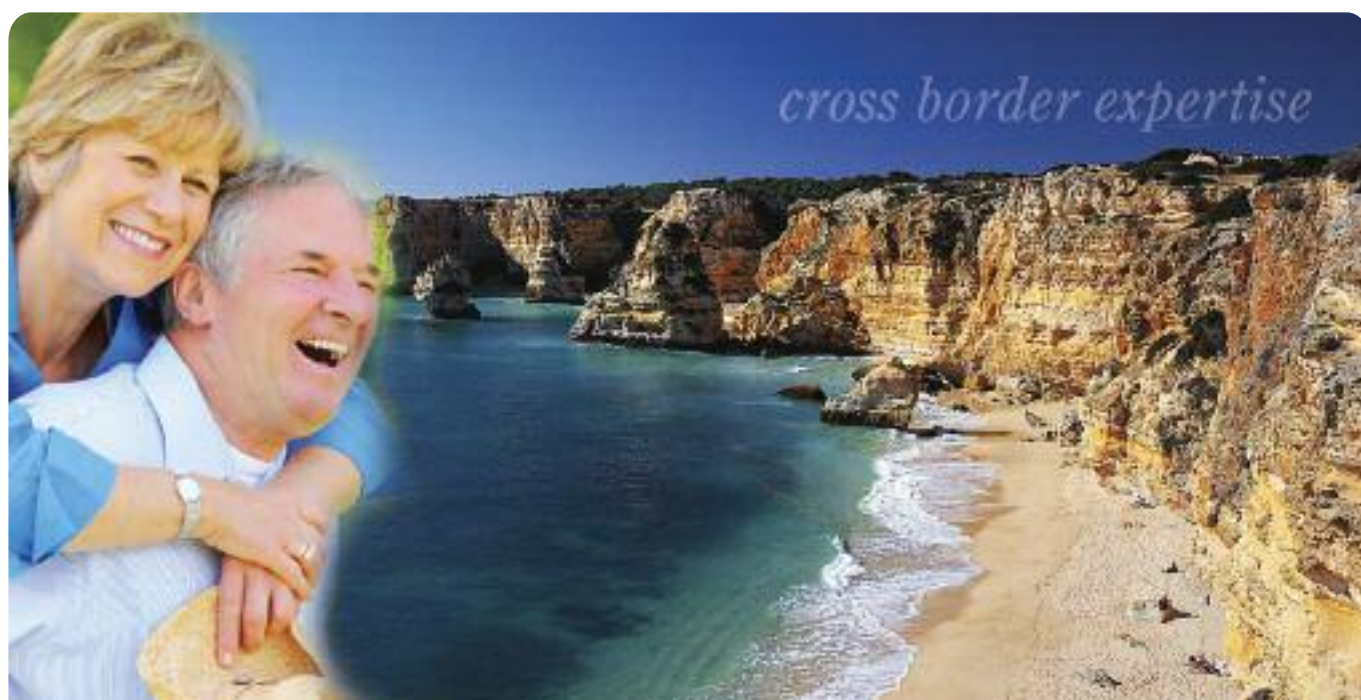


## FIDUCIARY

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## Wealth Supplement

This issue takes a look at some of the advantages of dealing with an advisory firm that can operate cross border as well as providing a more in depth look at two specific products, Offshore Bonds and QNUPS both of which offer significant advantages to those planning to exit UK and those who already reside outside of UK and even those proposing to return.



#### Local Presence Cross Border Expertise

Fiduciary Wealth Management is represented in four key locations. Its Head Office is in Gibraltar and it has a branch office authorised by the FSA in Central London as well as representative offices on the Costa del Sol and in the Algarve.

Back in 2006 a survey by Clerical Medical found that one in three Britons intended to retire abroad, half of whom intended to retire to Europe with Spain and Portugal being two of the most popular destinations. By 2010 it was reckoned that over 1 million Britons had a holiday home abroad. Add to this increasing numbers of people running their businesses from overseas jurisdictions like Gibraltar, where the rate of corporation tax currently stands at 10%, and individuals working for multi-national companies and it is obvious why the demand for cross border financial planning is increasing.

You only have to look at areas such as retirement planning to realise how important it is to engage with an adviser who can provide cross border advice. For example income drawn from a pension fund in the UK can be taxed in extreme cases at 50%, in Portugal and Spain the tax rate can be in single figures and if you are lucky enough to be a Gibraltar resident it might be zero. Proper financial planning can dramatically reduce and in some cases eliminate the

tax paid on savings and pensions by people who move or plan to live abroad.

Rather than work with different advisers in different jurisdictions our clients can benefit from a seamless approach to their financial planning needs confident in the knowledge that they are receiving quality, regulated advice. Quite simply Fiduciary Wealth is able to operate as a local adviser in each of its key markets with the added dimension of being able to provide specific cross border planning advice and a long term relationship with clients whatever their future choice of residence happens to be.

There are some financial products that can provide both domestic and cross border advantages and we will take a look at two of them, Offshore Bonds and QNUPS.

#### Offshore Bonds (Tax Wrappers)

The UK is a relatively high tax country for savings. With the exception of capital gains most investment and savings income is taxed at the marginal rate of income tax which can be as high as 50% whereas most countries in Europe tax savings at a lower rate than income and in Spain, for example, investment gains are taxed at 19% on the first 6,000 Euros and 21% thereafter. Offshore Bonds allow gross roll up whereby no tax is paid on savings as they accumulate and the tax is paid when funds are withdrawn ▶

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from the bond. By deferring withdrawals until the bondholder has left the UK they will pay tax on their savings at the lower overseas rate rather than the higher UK rate. Other investments such as bank accounts or mutual funds do not have this option.

Whilst resident in the UK a bondholder is taxed at their marginal rate on withdrawals, however 5% can be withdrawn each year without being subject to tax as this is deemed to be return of original capital. This 5% allowance can be carried forward if unused so a bondholder planning to exit the UK could make a sizeable tax free withdrawal prior to leaving and not be subject to tax wherever his new country of residence might be.

Where a bondholder plans to return to the UK after spending time abroad they are potentially liable to UK capital gains tax on the full gain on assets such as mutual funds or shares. However Offshore Bonds are only taxed on the proportion of the gain that accrued whilst the individual was resident in the UK. This means that significant gains built up whilst residing overseas can be withdrawn in the UK and not be liable to tax anywhere in the world.

Where an individual moves abroad assets retained in the UK such as savings, investments and property can be subject to inheritance tax regardless of where they are living when they die. An offshore bond can avoid this issue.

There are many more advantages to investing in a bond which will satisfy the needs of domestic UK investors including the ability to access an almost limitless choice of funds across all asset classes. Couple this with the planning opportunities for those intending to move away, those who are internationally mobile or indeed non domiciled UK residents and you can see that this type of investment provides a number of key advantages.

### QNUPS

Whilst most people are aware of QROPS which offer expatriates or those planning to move away from the UK the ability to transfer their pension fund to a similar offshore arrangement few appreciate the benefits that a QNUPS (a qualifying non-UK pension scheme) can offer. QNUPS were introduced in early 2010 and in our opinion provide an exciting opportunity for investors, so much so that we have established our own white labelled QNUPS, The Alpha Star.

A QNUPS can accept any non pension assets be that investments, deposits, property (residential and commercial) fine art and antiques into a scheme that is effectively a pension arrangement. Broadly speaking there is no limit in

terms of the size of the assets transferred and the age of the investor. Once transferred the assets will be treated in the same way as a pension fund and will need to be used to provide an income for the investor. For investors living in Spain and Portugal this income will be taxed very favourably and in addition the remaining fund will on death pass to chosen beneficiaries free of all tax, both local succession taxes and UK inheritance tax. Indeed opinion has it that should a QNUPS investor return to the UK the QNUPS will remain outside of UK inheritance tax.

This then is a fantastic way for those leaving the UK to preserve their wealth for future generations whilst at the same time investing in a vehicle that will provide an income stream which is taxed in an extremely favourable way.

There is more than meets the eye with QNUPS however. Tax authorities throughout the world are introducing new legislation to combat anti avoidance and restore their depleted coffers and the European Union is no different. The EU Savings Directive is currently under review with wide ranging reforms forecast including the ability to see through trusts, foundations and companies with the aim of ensuring that the ultimate beneficial owner will be taxed on his or her investment return. As a bona fide pension scheme QNUPS presently stands outside of the scope of the Savings Directive and as such provides a completely transparent route for investors looking to shelter their accumulated wealth.

Whatever your requirements you can be sure that the combination of our local knowledge, cross border expertise and asset management capabilities will provide you or your clients with the best possible solution to suit not only their current needs but also their future aspirations. We believe in building long term relationships with our clients to help them build and protect their wealth and then be able to pass that wealth onto future generations.

Wherever you live in our key market areas rest assured we will offer you impeccable service coupled with sound and fully regulated financial advice.

For further information call your local office or use the email contact facility on our website [www.fiduciarywealth.eu](http://www.fiduciarywealth.eu).



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