Quilter International

Managing your wealth with greater certainty

A guide to using an offshore bond for estate planning for non-resident Indian investors

Providing for the future

One of the main benefits of working overseas is the opportunity to provide financially for your family. One of the biggest challenges however, is deciding how best to grow the wealth you have worked hard for – and how to protect your estate for the benefit of future generations. This guide helps to show how an offshore bond could help with your estate planning.

Investments in shares, collective funds or other assets can produce growth, but holding them in a different geographical location from the one in which you are resident or domiciled can sometimes have unintended, and unwanted, consequences.

For example, since 1985 there has been no requirement to pay Indian estate duty when an Indian national dies but estate duty can be applied to wealth held in other countries, such as the UK and US, where inheritance and estate taxes are levied respectively on so-called 'situs assets'. And don't forget the risk of currency fluctuations.

Planning ahead to protect your assets

Thankfully, with careful planning and advice from your financial adviser, you can protect your investments from such problems and ensure that your wishes for the future use and transfer of your wealth will be carried out quickly, in line with your intentions, and without the complexity and delay.

An ideal solution will need to be flexible and portable to take account of the fact that your own needs and plans may change and evolve over time. For example you may want access to your money in future years and you may move to work or choose to become a resident in another country. If your family circumstances change, you may also want to add to or amend your nominated beneficiaries.

The solution – an offshore bond

An offshore bond from Quilter International takes account of all these concerns. Its structure makes it an ideal estate planning solution.

What is an offshore bond?

An offshore bond from Quilter International Isle of Man Limited (Quilter International) is a life assurance or capital redemption policy that enables investors to amalgamate a variety of existing* or new investments into one product. It has the flexibility to hold a wide range of different assets including bank deposits, unit trusts, investment trusts, open-ended investment companies, exchange traded funds and shares.

Holding multiple assets in one 'wrapper' means simplified consolidated reporting, as there is no requirement to report individual asset paperwork, dividend receipts and tax certificates. This can result in cost savings as well as reduced time and effort.

By transferring your existing investment portfolio* – or building a new one – within an offshore bond, you can enjoy the following benefits:

Choice of investment assets

You can invest in a wide range of investment asset types, which can be varied or changed as your circumstances change.

Thanks to the negotiating strength of Quilter International you can also benefit from significant savings on initial fund charges.

You can customise the portfolio within an offshore bond to suit your individual needs and preferences, without having to compromise to fit within pre-set rules and parameters.**

* *Subject to our acceptance.*

** *Please note this is subject to our investment restrictions.*

Safe home for your investments

- Quilter International is based in an established international finance centre, with a stable and independent legal, political and regulatory framework. This means your investment is held in a secure offshore environment.

Access and portability

- If you move from country to country, you can take the bond with you although adding money to your bond may be restricted depending on the country you move to.
- Access to your capital is easy through one-off or regular withdrawals.***
- You can choose the currency that the bond is denominated in, which can be one of a number of major currencies, for example US dollars or pound sterling.

*** *Withdrawals are subject to a minimum amount and are free of charge subject to our terms and conditions.*

Tax-efficiency

- Tax rules allowing, local tax payments may be minimised and postponed by timing your withdrawals appropriately. Please check the local tax rules of the country in which you are resident for details.

Monitoring

- You can check the performance of your offshore bond on our online service, Wealth Interactive.

Estate planning with an offshore bond from Quilter International can offer you choice and opportunity. Although individual life expectancy is unpredictable, your financial adviser will help to provide an ideal solution such as a trust or nomination to ensure that your intended beneficiaries will have the appropriate access, to the appropriate value, at the appropriate time, as per your wishes.

It will also help ensure that you can benefit yourself, if required during your lifetime.

How it works in practice

The following fictional studies indicate the many ways in which an offshore bond can help give you protection and control of your wealth now and in the future.

Scenario one

Akash and Swati

Secure, speedy transfer of wealth on death, for the beneficiary

Probate and heirship legislation vary substantially worldwide, so it's advantageous to have a quick transfer of wealth upon death.

The key estate planning objective for printing business owner Akash and his wife Swati is to avoid probate for their beneficiary – their only daughter – when they die.

This is because of the length of time typically involved in obtaining probate and the possible need for beneficiaries to sell assets to pay inheritance tax.

The solution recommended by their financial adviser is to set up an offshore capital redemption bond and use a nomination so the bond can be transferred without needing probate when the last policyholder dies. With this, their daughter has a choice about how to proceed when the second policyholder dies. She can either surrender the bond fully, make a partial withdrawal, or keep the assets invested offshore and access them at a later date.

Scenario two

Harsh and Kavya

Avoiding currency risk

Harsh, 54, is a consultant in the Dubai office of a US engineering company. He and his wife Kavya have an adult son and a granddaughter living in India. The couple believe in the importance of education for their family and want to help with the eventual cost of sending their granddaughter to university in the US.

Currently, Harsh sends 10,000 UAE dirhams to India each month to a rupee denominated savings account. When he needs to pay for university school fees, these rupee funds will need to be converted into US dollars.

There will be a currency risk with both exchanges. However, should he take out an offshore bond denominated in US dollars, then a currency conversion into US dollars will not be required. This money can then be used to directly fund his granddaughter's education in the US and the exposure to currency risk is reduced. This is because he can choose from one of 13 currencies, including the US dollar.

Scenario three

Navjot

Using a trust to protect your personal wealth

Investing in an offshore bond with a trust can help prevent the unwelcome situation where a company with financial problems can call on the personal assets of shareholders.

Navjot, 43, is a successful second generation non-resident Indian, with an established and successful travel business. He helps provide for an extended family, particularly their education, both when living overseas and in India.

Navjot wants to separate his personal wealth from his business, and ensure that when he dies his legacy can be distributed in prescribed amounts to his children and grandchildren quickly and discreetly.

The solution, recommended by his financial adviser, involves investing his personal wealth in an offshore bond, which is held in trust, with an offshore, independent, professional trustee appointed to ensure the confidential distribution of his assets during and after his lifetime. A further benefit of this arrangement is that, if the trust is established when his business is solvent, it can significantly reduce the likelihood that future business creditors can access his personal wealth.

Scenario four

Anand

Using a nomination to ensure your wishes are followed

Increasingly, one of the main considerations involved in estate planning is dealing with complex family relationships, especially where somebody has children from a previous marriage.

Anand is 55 years old and on his second marriage.

Having built up a significant amount of wealth from his successful jewellery business, he wants to ensure that on his death, it is passed on exclusively to his daughter from his first marriage and his son from his second marriage. His financial adviser recommends that he invests in an offshore bond and puts a nomination in place to ensure his assets get distributed in line with his wishes.

Scenario five

Sagar

Security and flexibility

Sagar, aged 40, works in Hong Kong on a short term contract (two to three years). He wants to build his wealth for future use and has an initial HKD 720,000 to invest. He then wants to be able to invest more with his annual bonuses. Because he isn't sure where his next contract will be in the world, he wants to be sure that his money is invested in a portable offshore savings product which is held within a developed, secure and highly regulated jurisdiction. His adviser recommends an offshore bond from Quilter International as the ideal solution because it is portable, flexible and held in a secure offshore environment.

These illustrative examples typify the range of issues faced by non-resident Indians working outside India. If you recognise any of them as being relevant to your needs, please speak to your financial adviser about how an offshore bond from Quilter International could be a suitable solution.

Your investment may fall or rise in value and you may not get back what you put in.

This document is based on Quilter International's interpretation of law and tax practice as at update to March 2021. We believe this interpretation is correct, but cannot guarantee it. Tax relief and the tax treatment of investment funds may change in the future. Full details of the products available from Quilter International are available from your financial adviser.

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