HSBC Onshore Investment Bond –GWS

Product Brochure

HSBC

What's in this brochure

Contents

Introduction	3
Benefits at a glance	4
Investment choice	5
Simplicity	5
Transparency	6
Value for Money	7
Tax treatment	8-10
About us	11

This product brochure explains the HSBC Onshore Investment Bond – Global Wealth Services (GWS).

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. 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;
- Policy Document – sets out all the Bond's terms and conditions;
- 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.

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

In order to invest in this bond you will need to be a registered client of an adviser who has access to this Bond on their platform.

Introducing the Onshore Investment Bond – GWS

Traditionally, the mainstream 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 advisers 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 rather than a direct investment in stocks and shares;
- a flexible, comprehensive, investment portfolio service which is fully transparent and cost effective;
- 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 5 years) investors.

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 value of any tax benefits described depends on your individual circumstances. Tax rules and rates may change in the future. HSBC Life (UK) Limited cannot be held responsible for any future changes in legislation.

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 your individual needs and tax circumstances.
- **Transparency** – all transactions are undertaken through a cash account which is apportioned 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.
- **Value for Money** – by linking to your adviser's platform we can offer a competitively priced proposition with minimal administration costs, and reduced charges for larger size investment amounts. (See page 7 for more details).
- **Tax efficient withdrawals** – you can supplement your income by taking regular withdrawals from your capital in a tax-efficient way. (See page 9 for more details).
- **Individual tax calculations** – rather than making a flat rate deduction for tax on investment growth, we calculate 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 on your "half-yearly" statement. For more details please see page 8.
- **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 3 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 9 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.
- **Additional investments** – the minimum initial investment is £5,000. Thereafter 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.
- **Residual income payments** – we credit residual income payments to investors after their bonds are surrendered. An additional payment is made 11 weeks after full surrenders where any further income has been received, following sale of fund holdings.

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 Onshore Investment Bond – GWS 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, 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. However, with the HSBC Onshore Investment Bond - GWS 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 8.

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

Value for money

Our philosophy is to provide a comprehensive service which is clear and cost-effective. 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.

By linking to your adviser's platform, rather than replicating funds through arrangements with external fund managers, we are able to offer a competitively priced proposition.

Our charges

We do not change any initial charges, exit charges or policy fees. The only charges we apply are 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. The level of this charge depends upon your initial investment amount as follows:

  Initial investment Annual management charge
  Up to £149,999 0.35% yearly of bond value
  £150,000 – £249,999 0.30%
  £250,000 and above 0.25%

  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.

- **Tax deduction (monthly)** to account for tax due on the underlying investments held in your bond.

Platform charges

We will deduct charges from your bond to pay your adviser for the cost of their platform services. Please refer to your adviser for details of the charges which apply.

If applicable, discretionary fund management fees (inclusive of any VAT) will also be deducted by the platform to pay for any discretionary investment services you have agreed with your adviser.

Fund charges

Each fund has its own charges which will be deducted within that fund. However, your adviser's platform 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

This depends 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 sell fund holdings as required to pay fees to your adviser. These payments will be made to your adviser from your cash account, and shown as separate items on your statements.

Please note that there may be tax implications for deduction of discretionary fund management fees from your bond (please see page 9 for more details).

Tax treatment

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 June 2017. 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 Onshore Investment Bond – GWS 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 Onshore Investment Bond, 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. 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, ie, 25% if you are a 45% taxpayer.

You should also be aware that where a gain pushes your total income above £100,000 (2017/18 tax year) this will result in the loss of personal allowances.

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 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 adviser and/or discretionary fund management 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 (2017/18 tax year). 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

Since April 2016 it may be possible to offset chargeable event gains (up to £500 for the 2017/18 tax year) against the new 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 for the 2017/18 tax year), 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 a new main residence nil rate band, which is being phased in between 2017 and 2020), 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.

About us

HSBC's Onshore Investment Bond – GWS is provided by HSBC Life (UK) Limited.

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 value of any tax benefits described depends on your individual circumstances. Tax rules and rates may change in the future. HSBC Life (UK) Limited cannot be held responsible for any future changes in legislation.

About HSBC Life (UK) Limited

HSBC Life (UK) Limited is incorporated in England and is a company limited by shares. HSBC Life (UK) Limited is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (firm reference number 133435) and is a member of the Association of British Insurers.

Registered Office: 8 Canada Square, London E14 5HQ. Registered in England (United Kingdom) number 88695. The main business of HSBC Life (UK) Limited is writing life policies.

About Global Wealth Services (GWS)

Global Wealth Services is a solution for wealth managers combining wealth processing technology and wealth management programs, coupled with business process expertise. The integrated offering aims to provide wealth management organisations the infrastructure, operations and administrative support necessary to capitalise on their strategic objectives in a constantly shifting market.

Please contact your adviser or us for alternative formats of this document.

HSBC Life (UK) Limited

HSBC Life (UK) Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Our firm reference number is 133435. HSBC Life (UK) Limited is a member of the Association of British Insurers.

Registered Office: 8 Canada Square, London E14 5HQ.
Registered in England (United Kingdom) number 88695.

hsbc.co.uk

Issued by HSBC Life (UK) Limited
Administration Office: PO Box 1053, St. Albans, Hertfordshire AL1 9QG