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# The advantages of offshore life assurance bonds

Most offshore life assurance bonds are sold through financial advisers. A wise move is to consult only those advisers who are regulated in reputable jurisdictions, where there is proper regulation.

Offshore life assurance bonds usually involve paying a single premium, which buys a portfolio of cash, investment funds and other investments. Life cover is minimal, as the purpose of the bond is to shelter investments. Usually the bond invests in a "menu" of investment funds, and in cash.

Most offshore life offices offer funds from a variety of investment managers, rather than offer their own in-house funds. This "open architecture" approach helps investors choose from the best-performing funds in a particular sector. During the lifetime of the bond, investors can switch between funds and investment sectors.

Investments within an offshore bond can grow gross of any tax, while an onshore bond is liable to UK tax within its investment funds.

Any income drawn from the bond is liable to tax in the country where the investor lives. In the UK, any income and proceeds are liable to income tax, but this can be deferred if the withdrawal is less than five per cent of the original investment. A bond is not included in a means-testing assessment for residential home costs in the UK.

Offshore bonds can be a good investment for someone who is planning to move overseas at a later date and will be able to benefit from the gross roll-up of income within the wrapper.

Other investors who may be able to take advantage are overseas workers who may be able to take an income when not subject to UK tax, although local taxes may apply.

Offshore bonds can also help mitigate inheritance tax liabilities. Many British expatriates may live outside the UK income tax net but, unless they change their domicile, their estate is still liable to IHT.

Ownership can pass down through a family. This facility is effective when written in trust for inheritance tax planning.

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**Source: The Telegraph*

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