Quilter

Growing advice opportunities for onshore bonds

Suitable for financial advice professionals only.

As the financial landscape continues to evolve, advisers are seeking innovative ways to optimise client outcomes and protect investments.

This brochure explores the resurgence of onshore bonds as a valuable tool in financial planning, highlighting their growing relevance amid recent tax changes and shifting market dynamics.

Whether you are navigating new fiscal challenges or looking for effective strategies to enhance your clients' wealth, we invite you to discover how onshore bonds can help unlock fresh opportunities and deliver long-term value.

defaqto
Onshore Bond 2026
EXPERT RATED

Contents

Rising demand for onshore bonds **3**

Top five benefits of onshore bonds **6**

Bond taxation features – product comparison **8**

Using an onshore bond inside a trust **9**

Case study – a practical look at how an onshore bond can help **10**

Advantages of Quilter's Collective Investment Bond **12**

Additional information and further resources **14**

Rising demand for onshore bonds

Onshore bonds have always been a key component in advisers' financial planning toolkits. Now, an increasing number of advisers are turning to onshore bonds because of changes in the financial landscape.

Here are ***two key reasons*** *driving demand:*

1. Changes to CGT and dividend allowances

There have been significant changes to the fiscal landscape in the last few years.

Oct 2024 Budget:

CGT rates rocket:

- Basic rate up 8% points to 18%, and higher rate up 4% points to 24%.

Nov 2025 Budget:

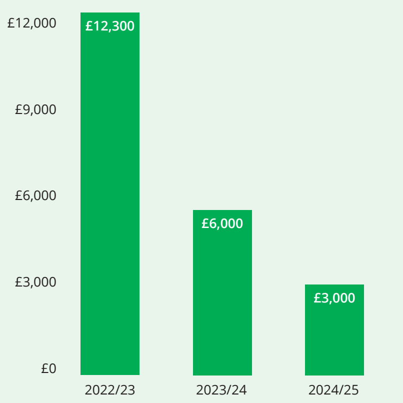
Tax on dividend income up:

- From April 2026 - up 2% points for basic & higher rates to 10.75% and 35.75% respectively.

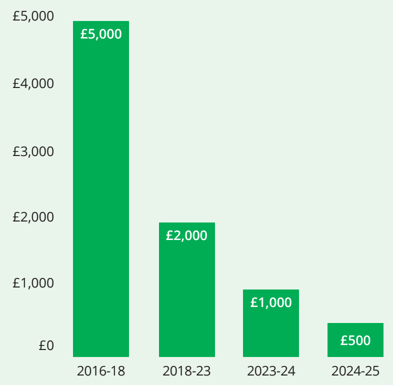
Tax on savings income up:

- Up 2% points on all bands from April 2027; basic will increase to 22%, higher will increase to 42% and additional will increase to 47%.

CGT annual exempt amount slashed (now £3,000)



Dividend annual allowance slashed (now £500)



Due to the new tax landscape, onshore bonds may now offer greater tax efficiencies:

- **No CGT on switching or withdrawals**
  With dividend and CGT annual exempt allowances now so low, an onshore bond can help your client avoid perennial taxes on dividend and interest payments, and there's no capital gains tax when they sell down.

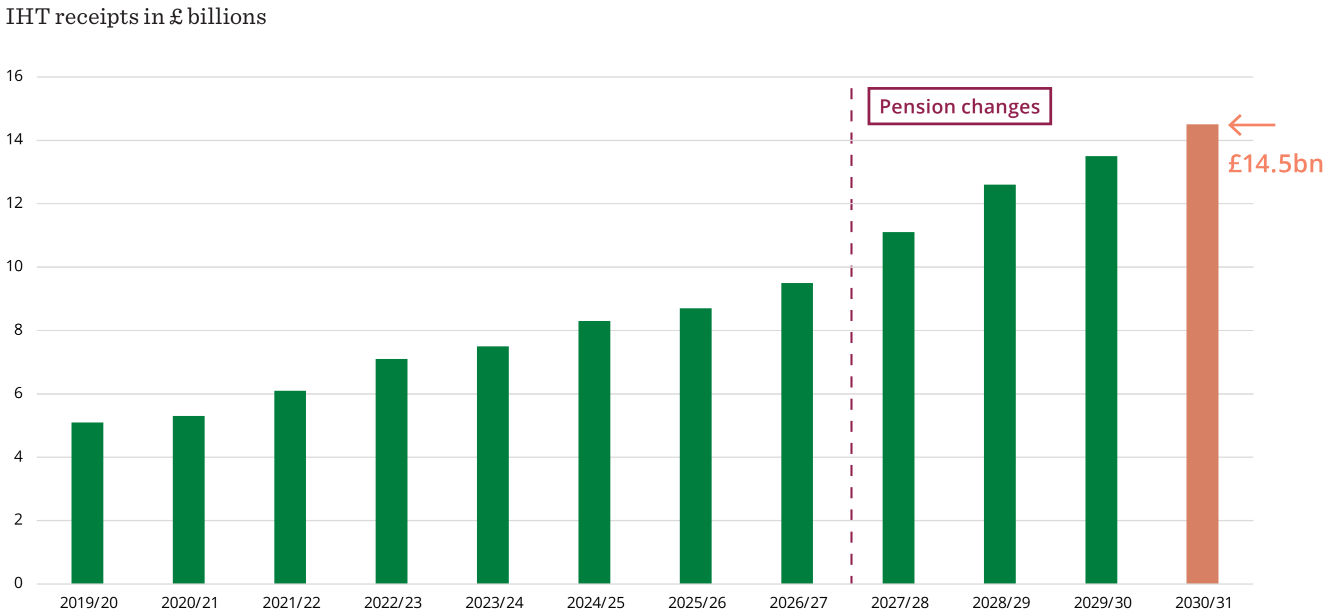
- **Simplified reporting/admin**
  This means no annual tax reporting regardless of dividends/interest received (unless there is a chargeable event).

2. IHT is becoming a bigger problem for more clients

With frozen inheritance tax bands, rising house prices, and unused pension wealth set to be included in the scope of IHT from 6 April 2027, more of your clients are likely to have estates liable for IHT in the coming years.

As a result, many clients will need their financial plans reassessed.

Growing IHT problem - the Government expects IHT receipts to reach over £14.5bn by 2030/31

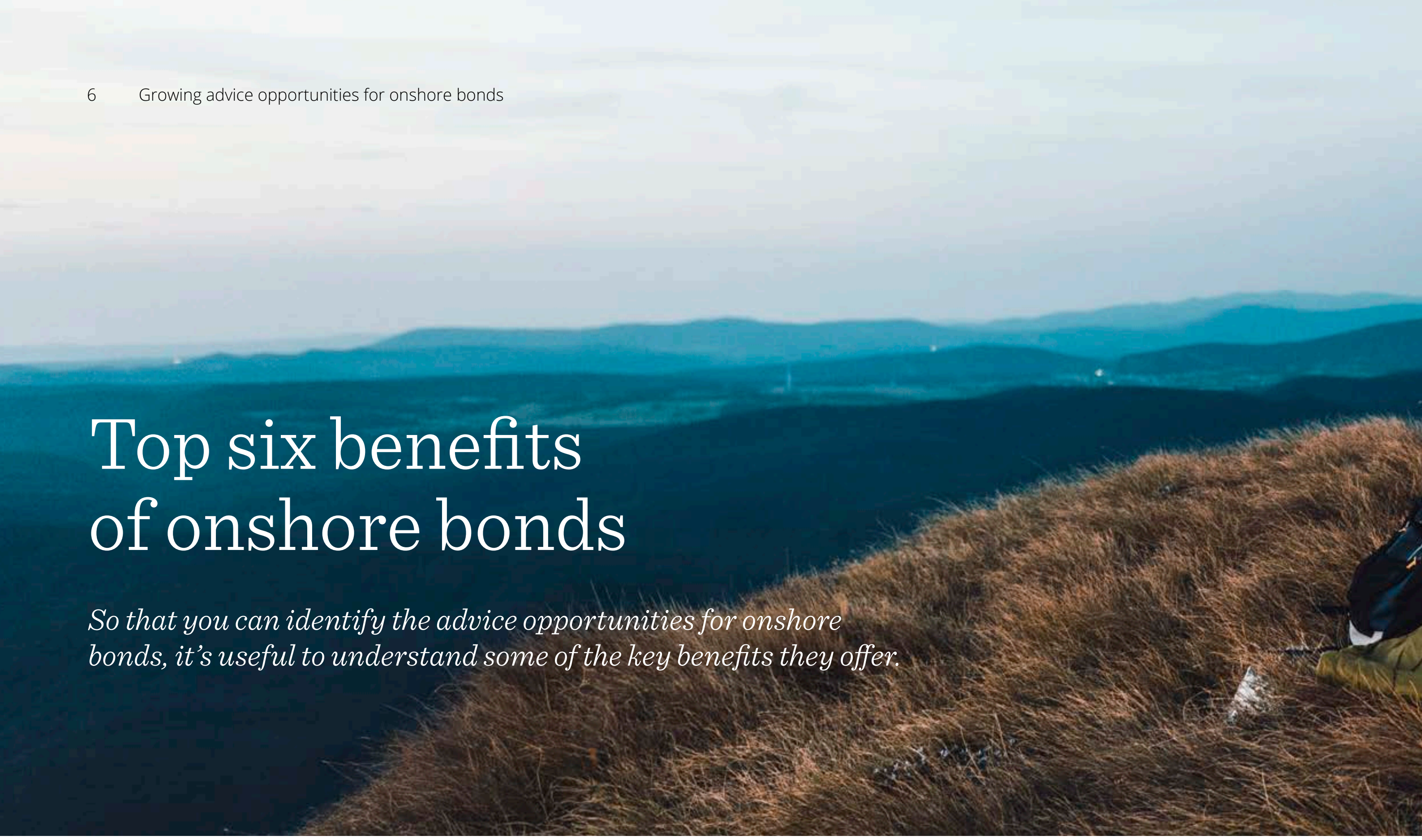


Source: Office for Budget Responsibility, Economic and fiscal outlook, March 2025

More clients are turning to trusts to mitigate IHT

Moving money into an IHT-efficient trust can effectively remove money from clients' estates after seven years and help to mitigate IHT.

Bonds are a perfect investment to hold within a trust due to the way they are taxed, making them simpler for trustees to administer.



Top six benefits of onshore bonds

So that you can identify the advice opportunities for onshore bonds, it's useful to understand some of the key benefits they offer.

1. Tax deferral/control

Due to the unique tax rules which apply to an insurance policy, your client will only be assessable for tax when there is a chargeable event – for example, withdrawals over the 5% allowance. As the client controls when these events happen, it means they also control when they need to report and pay tax.

2. Flexible withdrawal options

There are a number of ways your client can withdraw money from their bond. A key benefit is the 5% withdrawal allowance each year for 20 years. Your client can also withdraw a lump sum from across all policies, encash whole policy segments, or surrender the bond. Our bond comprises of 1,000 policies to provide maximum flexibility.

3. Income and gains are not assessed against the client

One of the key benefits of a bond is that it is considered a 'non-income producing asset'. Income and gains are assessed on the UK insurer rather than the bond holder. There is only a tax event for your client when there is a chargeable event, for example when a policy is surrendered, withdrawals exceed the 5% withdrawal allowance, or the last life assured dies.

Onshore bonds are subject to a charge for the UK corporation tax on interest and capitals gains the insurer has paid. To reflect this, the bond holder is given a tax credit equal to the basic rate of savings income tax on any chargeable event gain – reducing the personal income tax due on encashment.

4. Top slicing relief

When there is a chargeable event, any tax your client owes can be reduced through top-slicing relief (TSR). TSR is available to reduce or avoid higher rate or additional rate income tax arising as a result of a chargeable event gain. TSR provides relief by calculating tax as if the gain was made in each of the complete years your client has held the bond rather than the gain just being realised in one year.

5. Assignment

Your client can transfer the ownership of the bond, or policy segments within the bond, by assigning it to a new owner – e.g. to a loved one or into a trust. Assignments are a tax-efficient way of transferring wealth as they are not deemed a chargeable event for the client, so there is no tax for them to pay.

6. Trust planning

Bonds and trusts are the perfect partnership. Your client can place the bond into trust at any point, without triggering a chargeable event. Using a bond allows the trustees to make tax efficient distributions to beneficiaries, either by using the 5% withdrawal allowance or by assigning policy segments. As there is no tax to pay on an arising basis, it is simpler for the trustees to manage, with less administration.

Not all onshore bonds are created equal

See **page 12** for the advantages of choosing Quilter's Collective Investment Bond.

Bond taxation and features – product comparison

Clearly, onshore bonds won't be suitable for all clients. However, for those clients who have exhausted their tax allowances on other products, or who need an investment which can be placed into trust for IHT efficiency and legacy planning, onshore bonds offer a number of unique features.

Financial planning benefits	Onshore bonds	GIA*	Pension	ISA
No lock-in period: clients can usually access money any time	✓	✓	✗	✓
No subscription limits: any amount can be paid in	✓	✓	✗	✗
No personal taxation on an arising basis: investment income/growth is not subject to personal tax as it arises (except any deducted at source that cannot be reclaimed and unless there is a chargeable event)	✓	✗	✓	✓
No tax reporting: no annual tax reporting regardless of dividends/ interest received (unless there is a chargeable event)	✓	✗	✓	✓
No CGT: funds can be switched without worrying about capital gains tax implications	✓	✗	✓	✓

** GIA - General Investment Account*

Estate planning	Onshore bonds	GIA	Pension	ISA
Pass wealth to future generations: assign segments to beneficiaries (aged over 18) without encashing funds and realising a gain	✓	✗	✗	✗
Trust planning: a popular solution to be held inside a flexible **trust**	✓	✗	✗	✗
IHT efficient: generally viewed as outside of the estate for IHT	+ *	✗	+ **	✗

* Although not IHT-efficient in itself, **an onshore bond** is the perfect solution to be placed in an IHT-efficient trust.
** From 6 April 2027 unused **pension savings** will fall into the scope of IHT.

Tax allowances the client can use	Onshore bonds	GIA	Pension	ISA
Income tax personal allowance	✓	✓	✓	✗
Income tax personal savings allowance and savings rate band	✓	✓	✗	✗
Annual subscription allowance	✗	✗	✓	✓
Annual CGT exemption	✗	✓	✗	✗
Annual dividend allowance	✗	✓	✗	✗

Using an onshore bond inside a trust

When recommending a trust, it is important to use the right underlying solution to help the trust run efficiently.

Using onshore bonds inside a trust is a real financial planning sweet spot. Onshore bonds may deliver more advantages than other solutions held inside a trust.

1

Simple for trustees to administer

As onshore bonds are considered non-income producing, there is no income for trustees to report or tax to pay on an arising basis, so there's less administration for the trustee.

2

Tax-efficient distributions

Distributions to beneficiaries can be tax-efficient, for example, by using the 5% tax-deferred withdrawals, or assigning segments to a beneficiary to encash at their marginal rate. For those beneficiaries, top slicing relief may also be available reduce their income tax liability on the gain.

3

Continuity

Using multiple lives assured can provide continuity by helping to ensure the bond continues beyond the life of the settlor.

4

Convenience

Gifting segments to a trust does not create a chargeable event for income tax purposes and the segments remain invested. In most cases, neither the donor nor the trustee(s) will need to declare it as income on a tax return.

5

Future flexibility

Our onshore bonds allow clients to assign segments into trust as and when required in the future. Clients can even assign segments to multiple trusts at different times.

Discover our wide range of trusts and outstanding technical support

Quilter offers a ***wide range of trusts*** to go with our Collective Investment Bond, providing varying levels of access, flexibility, and IHT efficiency to help meet the needs of your clients.

This includes our popular **Lifestyle Trust**. Loved by advisers for its tax efficiency and flexibility, it allows clients to access their capital at pre-defined points in the future if needed. So, clients can start their trust planning now, even if they're unsure of their future financial needs.

Case study – a practical look at how an onshore bond can help

The following fictional case study shows how an onshore bond can help a client achieve their financial goals over their lifetime.

Meet Fred

I'm Fred. I'm 50 and have a lump sum inheritance of £300,000 to invest.

I'm a higher rate taxpayer and have used my pension allowance, ISA allowance, and all other capital gains and income tax allowances.

My financial goals include:

- supporting my daughter Eve if she goes to university
- supplementing my retirement income to ensure a comfortable lifestyle
- legacy planning when the time comes, to protect Eve's financial future.

See how an onshore bond can support Fred throughout his life – helping him meet his financial goals.

Fred's adviser recommends he invests his inheritance in **Quilter's Collective Investment Bond**.

A few years later

✓ **Support Eve through university**

- Eve decides to go to university. She finds a part-time job to boost her finances and becomes a basic rate taxpayer.
- Fred offers additional financial support by assigning segments of the bond to Eve each year over the next three years.
- Eve can encash the segments as and when she requires funds.
- Each time Fred passes money to Eve by way of a gift assignment (which is a gift for IHT purposes), and subsequent surrender by Eve, the gain needs to be calculated (which in simple terms is the value of the segments being assigned on surrender, less the original value of the segments.)
- If the gain is below the higher rate band when added to Eve's other income, then she will have no further tax to pay (as the liability is covered by the tax credit).
- As Fred has not surrendered the policy segments, he has no tax to pay and nothing to report on his tax return.

A few more years later

✓ **Supplement retirement income**

- Fred decides he wants to semi retire.
- Fred has accumulated the 5% p.a. tax-deferred withdrawals each year since opening the bond.
- Fred can access this as a tax-deferred lump sum or use it to provide regular tax-deferred withdrawals.
- This provides Fred with the flexibility to access tax-efficient withdrawals ahead of full retirement and reaching the state pension age.

A few more years later

✓ **Legacy planning**

- Once Fred decides to fully retire and draws an income from his pension, he stops taking withdrawals from his bond.
- Following good investment returns on the bond, the value of the bond remains a sizeable amount.
- He decides he wants to start some legacy planning to protect his estate from future IHT concerns, and to ringfence a pot of money that will go straight to his daughter Eve on his death.
- A benefit of Quilter's onshore bond is that it can be assigned into trust at any point – giving flexibility over future estate planning.
- Fred decides to assign the remaining segments of the bond into a trust for Eve.
- As Fred has not surrendered the policy segments, he has no tax to pay and nothing to report on his tax return.
- Once seven years have passed, the gift will fall outside his estate for IHT purposes.
- Any chargeable event calculation will be assessable on Fred during his lifetime as settlor of the trust.

Simplicity and efficiency

As the example above shows, the onshore bond can provide the flexibility needed to help at every stage of Fred's financial journey.

By assigning segments to Eve and later into trust (which are both deemed a gift for inheritance tax purposes), Fred is passing his wealth on tax efficiently – without triggering a chargeable event for himself. As Fred does not trigger a chargeable event, he has no tax to declare or pay – simplifying his tax reporting.

Dedicated support if required

When it comes to chargeable events, calculating the gain can be complicated. Our chargeable gains calculator helps you make the right withdrawal choice for your client covering all methods of surrender: full bond surrender, partial surrender across all policies, and full surrender of one or more individual policies. Find the calculator and more support on our dedicated chargeable event hub: ***www.quilter.com/CEHUB***.

Tax treatment is dependent on your client's individual circumstances and may be subject to change. The value of investments may fall as well as rise and an investor may not get back what they put in.

Advantages of Quilter's Collective Investment Bond

It's clear the demand for onshore bonds is growing. But with so few platforms offering an integrated platform bond, your client could end up paying additional wrapper charges, and not benefiting from the other efficiencies full integration brings.

How our bond stacks up

Ongoing support throughout the life of the policy

With Quilter's extensive experience in servicing bonds, you can confidently recommend us. Our renowned technical expertise is backed by a technical team and helpline, regional tax and trust specialists, and a dedicated trust and bond servicing hub.

Broad trust range

With a selection of 10 trusts, each providing varying levels of access, flexibility, and tax efficiency, we have a range of solutions to meet your clients' needs. This includes our popular Lifestyle Trust, loved by advisers for its remarkable flexibility and IHT efficiency.

Time saving tools

Our adviser tools can save you valuable time and help support your advice recommendations. We know chargeable events can be complex, which is why we provide a dedicated chargeable events hub with technical support and a useful calculator to assist.

Platform integrated

Our fully integrated wrappers simplify your financial planning by making it easy to move money between products. Funds are transferred directly to the new wrapper, eliminating unnecessary admin, reducing the risk of clients not reinvesting, and minimising time out the market. Your clients also benefit from no additional wrapper charges and Family Linking.

Flexible assignments

A key benefit of a bond is the ability to tax efficiently assign segments to loved ones, or into trust. With Quilter:

- clients can seamlessly place bond segments into trust at any point*, providing maximum flexibility to meet their future IHT needs.
- any segments assigned to another individual can be run independently, meaning you can have different portfolios with different withdrawal instructions for each family member.

**except the Loan Trust*

Wide asset choice

Unlike traditional life company bonds, our bond offers a broad selection of assets with consistent pricing across wrappers. This makes it simple for you to manage and align investment portfolios seamlessly across all wrappers (subject to any assets restrictions within each wrapper).

Extra value for your clients

When your client invests in our CIB, they also benefit from Family Linking. With Family Linking, we add together all family investments on our platform, which could lead to a reduced tiered platform charge for all family members.

Additional information and further resources

Further product information for our Collective Investment Bond

- ✓ Access over 2,600 OICS and unit trusts.
- ✓ Instruct one-off withdrawals or manage income online up to £75,000 for bonds owned by an individual.
- ✓ Income can be taken on any day from 1st to 28th of the month.
- ✓ Minimum initial investment £10,000.
- ✓ Constructed of 1,000 life policies for effective tax management.
- ✓ Assign part or all the bond to an individual, trust, or company and manage assigned assets simply online.

Capital protected death benefit

This feature gives your clients reassurance by protecting the value of any death benefit when a life assured dies. It works where the death of the life assured coincides with a drop in the value of the bond, ensuring that the death benefit payable is guaranteed as the higher of:

- 100.1% of the value of the bond, or
- the total premiums paid, minus any withdrawals taken.

If capital protected death benefit is not selected, the standard death benefit will apply, which is 100.1% of the value of the bond. For more details read our ***Capital Protected Death Benefit guide***.

Everything you need to get started

With tools, calculators, and a wealth of technical expertise, you have everything you need to get started, from assessing suitability, to ongoing support for the life of the policy. All available online at ***www.quilter.com/solutions/products/onshore-bond***.

Client brochure

Share our straightforward guide with your clients to aid their understanding of our Collective Investment Bond.

Net investment returns calculator

Helps you decide if an onshore bond is right for your client by comparing the potential returns on a GIA, an onshore bond, and an offshore bond.

GIA – ongoing tax comparison tool

Compares retaining an existing GIA with closing the account and reinvesting the proceeds in our Collective Investment Bond.

Trust planning

Visit the trust planning section of our website to access useful information on choosing a trust with Quilter.

Chargeable events

Resource hub to help you navigate the complex area of chargeable events and achieve the best outcome for your clients.

Technical insights

Enhance your knowledge with support material from our technical experts, including videos and articles.

Your next steps

Let us help you

Contact your usual Quilter consultant today to find out more bout our Collective Investment Bond.

This document is based on Quilter's interpretation of the law and HM Revenue and Customs practices as at May 2026. We believe this interpretation to be correct, but cannot guarantee it.

Tax relief and the tax treatment of investment funds may change. The value of any tax relief will depend on the investor's individual circumstances.

Your clients' investments may fall or rise in value and they may not get back what they put in.

The case study used is fictional.

Approver: Quilter June 2026

QIP 22225/206/15570/June 2026