Montpellier Investment Summary

In this summary you will find details on key investment products, their structure, and how they are taxed.

Product	Features	Tax Treatment
OEICs	• These are pooled investments into managed funds. A fund manager will be in charge of selecting and monitoring the underlying investments. • OEIC's are Open-ended investments. This means that the fund can expand and contract to meet demand in the way of new investment. • Investors will buy shares in the OEIC fund.	Equity Holdings • Income paid net of 10% tax on dividends; • Higher Rate Taxpayers (HRT) will be liable to a further 22.5% of the gross dividend; • Additional Rate Taxpayers (ART) will be liable to a further 32.5% of the gross dividend; • Unit disposals may be liable to CGT at 18% and/or 28%; Fixed interest unit trusts/OEICS deduct the basic rate savings tax at source: • Non-taxpayers can reclaim the 20% deducted; • Starting rate taxpayers can reclaim 10%; • Basic Rate Taxpayers (BRT) have no further liability; • HRT are liable for an additional 20% on the gross amount • ARTs will be liable to a further 30% of the gross interest.
Unit Trust	• The investment will be pooled investments in Stock Exchange securities; • Investors buy units in a fund; • Funds are designed to produce capital growth, or income, or capital and income; • The two types of units available are accumulation or income; • The fund is open-ended.	As for OEICs.
Onshore Investment Bonds	• An investment bond is a single premium non-qualifying life policy (can be whole of life or term based); • Life cover is usually equivalent to 101% of the bid value of the units; • Usually a wide choice of funds to meet different objectives; • Usually structured as a cluster of separate policies, to increase flexibility at encashment and to help manage potential tax liabilities. • Frequently used as part of an estate planning strategy.	• 5% of the original investment can be withdrawn annually without incurring an immediate tax charge - this is a tax deferred withdrawal; • After top slicing, if the investor is/remains a BRT, they have no further tax liability; • If a BRT becomes a HRT when the gain is added to their income, then there will be a tax liability of 20% on the slice of the gain that is in the higher rate band; • A HRT will be liable to 20% tax on the whole gain; • An ART will be liable to 30% on the whole gain: • Switching between funds does not constitute a disposal for tax purposes.

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Product	Features	Tax Treatment
With –profit Bonds	A unitised whole of life policy sold on a single premium basis. The aim of the policy is usually to provide an investment opportunity and, in many cases, a regular income each year.	As for Investment Bonds (Onshore)
ISA's	Must be aged over 18 (16 for cash ISA), UK resident. Can be encashed at any time; The performance of an ISA will depend on the assets within the fund and expertise of the fund management team. There are two main types of ISA: ● Equity ISA (Stocks & Shares): ● Maximum investment in a stocks and shares ISA is £11,280 in any one tax year, with one provider; (2012-13) ● ISAs are free from Income Tax and CGT (although the 10% tax credit on equity distributions); ● Investment can be through a lump sum or regular premium; ● Bid/ Offer spread usually 5-6%; ● Annual Management Charge usually 1- 2 %; ● Cash can be held in the equity fund for the purpose of investing in qualifying stocks and shares but interest will be taxed 'at source' at 20%; ● Cash ISA ● £5,640 annual investment limit; (2012-13) ● Investment can be through a lump sum or regular premium. ● Cash ISAs can now be transferred to a Stocks and Shares ISA, although a Stocks and Shares ISA cannot be transferred to a Cash ISA.	Capital growth and income are free from personal liability to tax (although the 10% tax credit on equity distributions is non-refundable) On death the ISA benefits are lost. The investment forms part of the deceased's estate for Inheritance Tax purposes;

We hope that you have found this brief guide useful. If you would like to find out how this may affect you or if you would like to learn how to implement elements of this planning within your financial affairs then please contact us on the details below.

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