Wealth Management

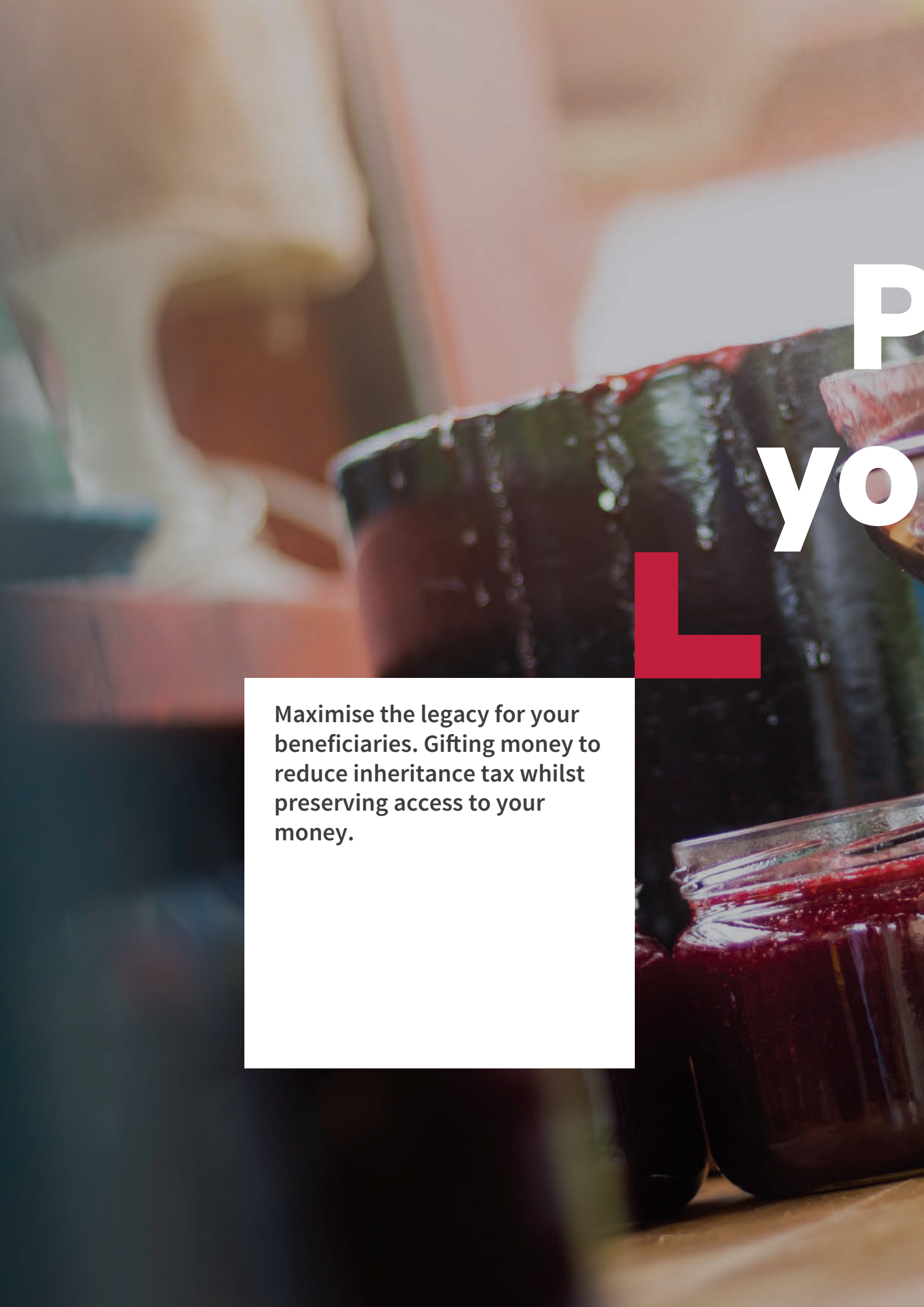
[Preserve]

Wealth Preservation Account

Client Guide

canada life

International™



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Maximise the legacy for your beneficiaries. Gifting money to reduce inheritance tax whilst preserving access to your money.

Preserve
our legacy

The Wealth Preservation Account allows you to receive payments from the trust if required, giving you additional flexibility.

Introduction

As we get older and more financially secure it is only natural that we consider the futures of our children and grandchildren. However, the situation is brought into sharper focus by the fact that UK inheritance tax (IHT) may well reduce the amount that you are able to leave to your family. IHT is a tax levied against the value of an individual's estate on death and also, in some circumstances, on gifts made during their lifetime.

One solution to this problem lies in the bespoke Wealth Preservation/ Wealth Preservation Europe Accounts (the 'Account'), which allow you to make a gift into trust with the aim of reducing your potential IHT liability and building up a fund of money outside of your estate free from inheritance tax, while still giving you full access to the trust assets during your lifetime.

The Account consists of a series of maturing life assurance policies which are set up at the outset to mature at staggered future Account anniversary dates, so that funds can be released to you each year. The trustees have the ability to defer these maturity dates if you do not require funds from the trust at the time.

Why Canada Life International?

Financial strength and stability

We understand that you want to invest in a company that is strong, safe and secure. Canada Life International's businesses are part of Great-West Lifeco, one of the largest life insurance organisations in the world, with interests in life insurance, health insurance, investments, retirement savings and reinsurance. The ethos of our parent company, and their focus on putting the long-term needs of customers first, prevails throughout our businesses, and is one of the reasons why we have successfully looked after the financial futures of so many clients for so many years. Together with Great-West Lifeco's other subsidiaries, we serve the financial needs of more than 38 million customers and have more than £1,456 billion in assets under administration (as of 31 December 2022).

Ratings are another reflection of our financial strength; Great-West have received strong scores from the major ratings agencies. You can view our latest ratings on the 'About us' part of our website www.canadalife.co.uk

A choice of jurisdictions – the Isle of Man or the Republic of Ireland

Canada Life International offers a choice of two jurisdictions in which to base your investment - the Wealth Preservation Account is issued in the Isle of Man and the Wealth Preservation Account Europe is issued in the Republic of Ireland.

In either case, Canada Life International does not pay any capital gains tax or income tax in either the Isle of Man or the Republic of Ireland on investments held on behalf of policyholders.

What is the Wealth Preservation/Wealth Preservation Europe Account?

The Wealth Preservation/Wealth Preservation Europe Accounts allow you to make a gift into trust with the aim of reducing your potential inheritance tax liability, while still giving you full access to the trust assets in your lifetime.

Their aims are:

- To allow you (the settlor) to reduce your potential inheritance tax liability by making a permanent gift into trust – provided you survive for seven years from the date of making the gift
- To still give you full access to the proceeds from each of the maturing policies in your lifetime
- To provide the potential for long term capital growth of the trust assets outside of your estate, by offering access to a very wide investment universe
- To give the trustees freedom to vary their choice of investments over time, to match any changes in circumstances or attitude to investment risk
- To pass the Account value on to your beneficiaries in the event of your death

The settlor must be aged between 18 and 89 and the trustees must be over 18 and UK resident. The minimum amount you can invest is £50,000 and there is no maximum amount. Once the Account is set up you cannot add any further premiums to it, although you are able to have more than one Wealth Preservation Account.

The Wealth Preservation Account offers the best of both worlds - a reduction in your potential IHT bill without losing all access to your capital

Trustees can allow payments to your beneficiaries at any time, providing additional flexibility and reassurance.

How the Wealth Preservation Account works

Each Account is made up of the following elements:

- A series of international single premium investment linked life assurance policies with varying maturity dates
- A bespoke trust arrangement which gives you access to the proceeds from each of the maturing policies, which can be deferred to a later date if funds are not needed at the time

The Account is available on a single settlor basis only. This means that only one individual can gift the initial premium to the Account, and that individual will automatically be a life assured on the Account. You can nominate at least one other life assured and there can be up to six lives assured in total. In the event of your death, the Account does not automatically come to an end if there is at least one other surviving life assured.

The minimum amount you can invest is £50,000 and there is no maximum amount. Once the Account is set up, you cannot add any additional amounts to it. The Account can be denominated in Sterling, US Dollars or Euro. If your premium is in a different currency to your Account currency, any conversion will be made using an exchange rate determined by us at the time of the conversion.

During your lifetime, as each of the policies that make up the Account reach their maturity date, the maturity proceeds are payable to you, via the trustees. The Trustees confirm before each Account anniversary whether the maturing policies are to be paid to you in full or whether some or all of the maturing policies are to be deferred to a later anniversary date. This means you do not have to take the maturity proceeds if you do not want to.

Your beneficiaries are entitled to any other remaining policy benefits. This could include any death benefit payable, the early surrender of any of the policies before their maturity date, or the maturity proceeds of any of the policies that mature after your death. The beneficiaries are chosen by you at the outset and must be a person or people or an identifiable group of people (such as 'my grandchildren whenever born'), but you cannot be a beneficiary.

If instructed to do so by the trustees, we can make withdrawals from the Account to pay for any ongoing advice received by your financial adviser, fund investment adviser, any other third party adviser, or to pay any ongoing trust related expenses.

When your Account is set up, you decide how many policies in total you want and when you would like them to mature, subject to the following rules:

- The Account cannot have more than 99,999 individual policies
- At the outset no single policy can be worth less than £10
- Each policy must be identical
- Each policy can have a term ranging from the first policy anniversary to the anniversary following the youngest life assured's 100th birthday.

By default, we will allocate the maximum number of policies available based on your premium, the maturity term and the minimum policy size of £10.

So, if you made an investment of £100,000, and the default is applied, your Account could look like the example below.

Policy anniversary	Number of maturing policies	Amount invested in each policy	Total amount invested £
1	1,000	10	10,000
2	1,000	10	10,000
3	1,000	10	10,000
4	1,000	10	10,000
5	1,000	10	10,000
6	1,000	10	10,000
7	1,000	10	10,000
8	1,000	10	10,000
9	1,000	10	10,000
10	1,000	10	10,000
Totals	10,000	10	100,000

You do not have to structure your Account in this way; it can be set-up with maturities over a greater number of years or with different amounts maturing each year. However, it is good to know that the trustees have the ability to defer the maturity date of some or all of the policies in any year, if you do not need access to the proceeds at the time.

The actual amount you receive from any maturing policies will depend on the performance of the underlying investments linked to the Account. This is not guaranteed and the amount received could be less than the amount invested.

How does it work in practice?

60 days before each policy matures, we will write to the trustees asking them to confirm which of the following options they require:

1. Allow all policies to mature fully. **This is the default position should we not hear from or be unable to contact the trustees**
2. Extend all maturing policies.
3. Extend some of the maturing policies and allow the rest to mature.

Using the example above, on the first anniversary when 1,000 policies are maturing, the trustees could elect to:

Option 1 – Allow all the policies to mature:

Policy anniversary	No. of maturing policies =	Amount invested in each policy	Total amount invested £
1	~~1,000~~	~~10~~	~~10,000~~
2	1,000	10	10,000
3	1,000	10	10,000
4	1,000	10	10,000
5	1,000	10	10,000
6	1,000	10	10,000
7	1,000	10	10,000
8	1,000	10	10,000
9	1,000	10	10,000
10	1,000	10	10,000
Totals	9,000	90	90,000

Payment made to you, via the trustees for the value of 1,000 policies

Option 2 – Extend all the maturing policies (so defer the maturity date to a later Account anniversary if the maturing proceeds are no longer needed). In this example they are deferred to year 11 – but this could be any future year:

Policy anniversary	No. of maturing policies =	Amount invested in each policy	Total amount invested £
1	~~1,000~~	~~10~~	~~10,000~~
2	1,000	10	10,000
3	1,000	10	10,000
4	1,000	10	10,000
5	1,000	10	10,000
6	1,000	10	10,000
7	1,000	10	10,000
8	1,000	10	10,000
9	1,000	10	10,000
10	1,000	10	10,000
11	1,000	10	10,000
Totals	10,000	10	100,000

Option 3 – Extend some maturing policies and let the rest mature. In this example 500 policies mature and 500 are deferred to year 11 – but any number can be matured or deferred to any future year:

Policy anniversary	No. of maturing policies =	Amount invested in each policy	Total amount invested £
1	500 ~~500~~	~~10~~	5,000 ~~5,000~~
2	1,000	10	10,000
3	1,000	10	10,000
4	1,000	10	10,000
5	1,000	10	10,000
6	1,000	10	10,000
7	1,000	10	10,000
8	1,000	10	10,000
9	1,000	10	10,000
10	1,000	10	10,000
11	500	10	5,000
Totals	9,500	10	95,000

Payment made to you via the trustees for the value of 500 policies

On the next policy anniversary, the same options would again be available for those policies that are due to mature.

Please note, the examples above exclude any investment growth or loss within the Account and should be used for indication purposes only.

Trust registration

For Wealth Preservation Accounts issued in the Isle of Man, UK resident trustees have an obligation to register the trusts with HM Revenue and Customs on the online Trust Registration Service (TRS) (within 90 days of each trust's creation). Full details of how to register a trust can be found on the following dedicated website: UK HMRC TRS website: www.gov.uk/guidance/register-a-trust-as-a-trustee

A step by step guide on how to register a trust can be found on our dedicated TRS hub at: www.canadalife.co.uk/technical-support/registering-your-trust/

For Wealth Preservation Europe Accounts issued in Ireland, in addition to the obligations to register the trust with UK TRS, UK resident trustees have a dual obligation to register with the Irish Central Register of Beneficial Ownership of Trusts (CRBOT). However, for most advisers and trustees it is not currently possible to register trusts on the Irish Revenue website for applicants who are non- Irish residents. The Irish Revenue is working to simplify the CRBOT registration process for non-Irish residents, and in the meantime penalties will not be levied for trustees who do not complete a CRBOT registration.

Professional Trustee Service

We offer an optional Professional Trustee Service, where you can choose to appoint a corporate trustee to take over the responsibilities of the trust, which includes the registration of the trust through HMRC's Trustee Registration Service and CRBOT registration.

Where and how is my money invested?

The Wealth Preservation/Wealth Preservation Europe Accounts provide investment flexibility by allowing access to a comprehensive range of investment options. These will provide the trustees and their financial adviser with the ability to build a portfolio of investments, providing maximum flexibility when considering their objectives and risk profile.

Investment choice

When making an investment, having a choice which covers the widest possible range of asset classes and fund types in a range of jurisdictions is essential.

The Account gives the trustees access to our Open investment range which allows them to choose from a comprehensive range of professionally managed external assets with discounted charges from around the world.

Acceptable investments can include:

- Collective investments from the UK or Republic of Ireland; including unit trusts, open ended investment companies (OEICs) and investment trusts
- Cash deposits
- Hedge funds
- Other collective investments from recognised financial jurisdictions, which include the Bahamas, Channel Islands, Bermuda, Switzerland, Cayman Islands and Hong Kong.

There are some restrictions as to what can be held within the Account and we have a dedicated Investment Governance Team who can assist in determining whether any proposed asset is acceptable to us.

The document 'Your guide to investment funds' (reference 6815) provides further information on the different types of assets that are available. This guide is available to download from our website; www.canadalifeint.com

There is no maximum number of assets or funds that can be linked to the Account.

For the assets or funds the trustees choose to invest in, we will allocate a number of units to the Account, based on the price of those assets or funds at the time. The ongoing value of the Account will be the current value of all of the units.

Please note that past performance is not a guide to the future. The value of the underlying investments linked to your Account can fall as well as rise. Currency fluctuations can also affect performance, especially where the currency of an underlying investment is different to the currency of your Account.

Fund adviser and Discretionary Fund Manager

The trustees can choose to manage the portfolio of funds if they wish, they can nominate a fund adviser, or nominate a discretionary fund manager (DFM) to make the day-to-day investment decisions on their behalf. To make this process simpler, we already have agreements in place with many established DFM companies.

Segregated Portfolio Service

Our Segregated Portfolio Service gives you access to a wider range of investment types than those usually available and allows a DFM to access equities and bonds directly.

To use this service, the trustees will need to appoint a DFM in order to benefit from their expertise in stock selection. The DFM will need to have an agreement with us, so that they can access equities and bonds directly.

The DFM can step outside of the normal HMRC rules that would otherwise limit the types of assets that can be linked to international bonds, while still meeting these HMRC regulations for international bonds – if they manage the portfolio without influence from you or any other fund adviser.

Changing investments

There may be times when the trustees' objectives or attitude to risk changes, or they want to review the underlying investment choice. It is possible to change the underlying investments at any time, although transaction fees will apply (please see the section 'What are the charges?').

The trustees can instruct us to switch from one investment to another at any time.

What is the transaction account within my Account for

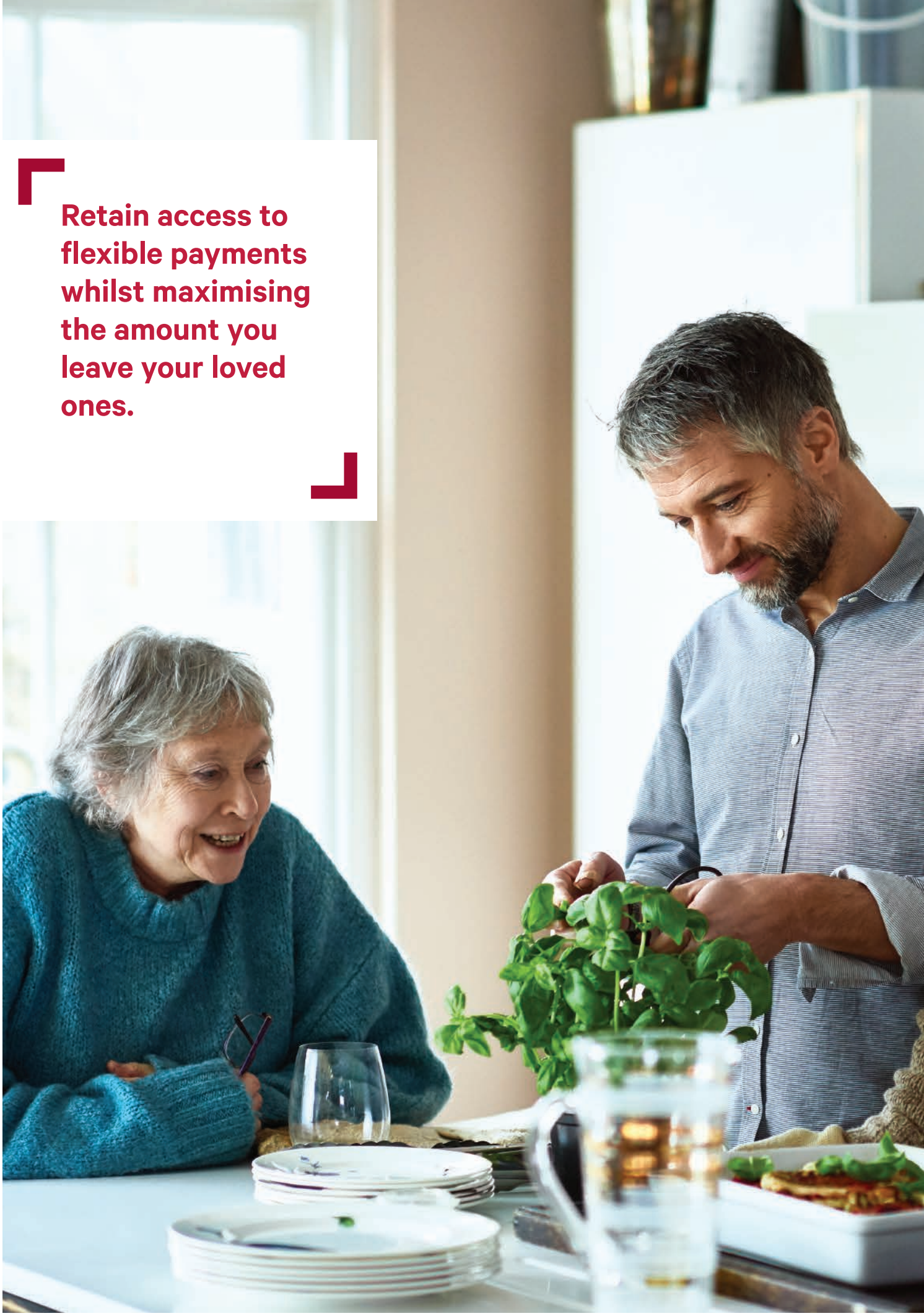
Your Account includes a multi-currency transaction account, through which all Account transactions are recorded, including the receipt of all premiums, the payment of all charges and fees and the payment of any withdrawals or surrenders from the Account. The cash balance of the transaction account is included within the Account value.

You are responsible for the ongoing management of the transaction account, to ensure that there is sufficient money to cover any charges and fees and other account deductions. You can delegate this responsibility to your financial adviser, fund adviser, or a discretionary fund manager, where appropriate.

Where there is a negative balance in the transaction account, we will charge debit interest for each day that the transaction account balance is negative at 3% above the prevailing Bank of England base rate. To minimise the impact of debit interest charges, we reserve the right to clear a negative transaction account value by selling investments linked to your Account without seeking or obtaining prior consent.

Where there is a positive balance in the transaction account, we may pay credit interest at a rate determined by us, which will take account of the interest rate received by us from our bankers and the prevailing Bank of England base rate.

Retain access to flexible payments whilst maximising the amount you leave your loved ones.



What are the charges?

We charge for managing your Account and the investments it holds, which will affect its value. Charges may increase, for example, if the cost to us of managing your Account increases. We review these charges every year and recommend that the trustees contact us or their financial adviser for a copy of the 'Wealth Preservation Account Key Information Document' (reference IOM00999) and the Charges and Fees document (IOM01353). Some or all of the following charges may apply:

Establishment charge

A charge that we deduct for setting up the Account based on the value of your premium. This can either be deducted as a one-off amount at the outset, or deducted quarterly for the lifetime of the Account. The Wealth Preservation Account (Isle of Man) offers an additional option where the establishment charge can be deducted quarterly for a 5 year period.

Administration fee

An ongoing quarterly charge we deduct for administering the Account.

Fund management charges

The Manager of any underlying assets linked to your Account may apply initial charges and/or ongoing annual management charges to cover the costs and expenses of managing the assets. Where an initial charge applies, this will be deducted from your premium before it is invested. For ongoing annual management charges, you will not see these as deductions from the Account because they are already allowed for in the price of the underlying asset.

Transaction fees

We make a transaction fee for every individual purchase and every individual sale of any underlying investment linked to the Account. If you switch from one underlying investment to another, this results in two separate transaction fees – one for the sale and another for the subsequent purchase.

We will also pass on to the Account any safe custody fees or any other external stockbroker fees applicable based on your choice of underlying assets.

Financial Adviser charges

We can deduct a one-off amount from your initial payment and pay this to your financial adviser before it is invested in the Account, or after the Account has been set up. We can also facilitate ongoing adviser charge deductions.

Fund adviser's charges

If the trustees wish to appoint a fund adviser the ongoing cost of this advice can be deducted from the Account on a quarterly basis. Fees can vary and the level will be agreed between the trustees and the fund adviser.

Discretionary Fund Manager charges

If the trustees decide to appoint a discretionary fund manager, then they may charge for their services. Fees may vary and the level will be agreed between the trustees and the DFM.

Segregated Portfolio Service charge

If the trustees choose to invest in our Segregated Portfolio Service, we deduct an ongoing quarterly administration charge based on the value of the Account.

Professional Trustee Service

We offer a two professional trustee service options:

(i) Limited service - if you only require the Professional Trustee to register the trust with the UK Trustee Registration Service, a one-off fee is deducted from your premium, or

(ii) Full service - if the Professional Trustee is to be appointed as the Account owner and be responsible for operating the Account, an initial charge is deducted from your premium and an ongoing charge is deducted from the Account at each subsequent anniversary.

We may make additional charges for providing non-standard services, such as requests for additional Account valuations (we provide these once per quarter without charge), or charging for certain types of bank payments when making payments from the Account. Full details of all our charges and fees are shown in the relevant charges and fees document, which can be downloaded from our website: www.canadalifeinternational.ie or requested by calling +44 (0) 333 015 1382.

What happens to the money if I die?

On your death, if you are the only life assured, or the last life assured on the Account to die, the Account must close, and the death benefit is paid to the trustees for the benefit of your beneficiaries.

If there are remaining lives assured, the trustees can decide whether to surrender some or all the policies that make up the Account or leave some or all the policies invested to reach their predetermined maturity dates, when they will be paid to your beneficiaries. The Account can continue until the death of the last life assured. On the death of the last life assured, the death benefit is payable to the trustees for the benefit of your beneficiaries.

The death benefit payable is the value of the policies immediately following notification of the relevant death, less any outstanding fees and charges, plus £100 (or currency equivalent).

What about tax?

This guide assumes that you are UK resident and domiciled for taxation purposes. If you are in any doubt about your tax status you should consult your financial adviser.

Corporation tax

We pay no corporate taxes in either the Isle of Man or the Republic of Ireland on the capital growth or income which accrue to any of the underlying investments linked to your Account.

Capital gains tax

Any investment gains made as a result of switching the underlying investments choices within your Account do not give rise to a UK capital gains tax liability. Any benefits taken from the Account are not subject to Capital Gains Tax, but may be subject to income tax.

Income tax

Depending on your country of tax residence at the time, you, the trustees or any beneficiary of the trust may be assessed under income tax when certain transactions occur within the Account. These transactions are known as chargeable events and if a chargeable event occurs, a chargeable gain calculation is made to establish if any income tax is payable.

The main chargeable events are:

- When any of the individual policies within the Account mature
- When the Account ends because a Life Assured dies and the death benefit becomes payable
- For any withdrawals that exceed the cumulative 5% tax-deferred allowance in any policy year (this would normally only be after the settlors death)
- If the Account or any of the individual policies that make up the Account are fully surrendered.

If a chargeable gain arises it will be assessed to income tax (not capital gains tax). Where an individual is assessed for tax, this will be based on their highest marginal rate of income tax at that time, regardless of whether they paid higher or lower rates of tax in the past. Where the trustees are assessed for tax this will be at the trustee income tax rate.

What is the 5% tax deferred allowance?

During the settlor's lifetime, the Wealth Preservation Accounts do not allow for the partial surrender of any of the policies that make up the Account. However, any adviser charges deducted from the Account for investment advice and services supplied to the trustees are treated as a partial surrender and will form part of the 5% tax-deferred allowance. After the settlor's death, we can endorse the Account to enable the trustees to make partial surrenders on behalf of your beneficiaries and make use of any unused 5% tax deferred allowance. The 5% tax deferred allowance allows the trustees to withdraw up to 5% of your premium each year for up to 20 years without any immediate liability to income tax. Unused amounts can be 'stored' for use in later years, including years beyond year 20. If the trustees withdraw more than a total of 5% of the premium each year, the excess will give rise to an immediate income tax charge at your, the trustees or your beneficiaries highest marginal rate.

Inheritance tax

Inheritance tax (IHT) is complex and we strongly recommend that you seek financial advice before taking any action that may impact on your IHT position.

The transfer of ownership of your Account to the trust is a Chargeable Lifetime Transfer (CLT) for IHT purposes. If the value of the Account at the time, plus the total of any previous CLTs made by you in the past seven years, exceeds the Nil Rate Band (currently £325,000), you will have an immediate liability to IHT on the excess, at the lifetime rate of 20%.

Any growth within the Account is immediately outside of your estate for IHT purposes. Provided you live for at least seven years, your gift to the trust will drop out of your estate and will not be subject to IHT on your death. If you die within seven years, some IHT may be payable, and the extent will depend on how soon you die after making the gift and the amount of the gift.

The trust may be subject to potential future IHT charges, in the form of periodic and exit charges. Periodic charges are assessed every 10 years and exit charges may arise whenever capital is paid out from the trust to the beneficiaries (but not from maturing policies paid to the settlor).

This is based on our current understanding of relevant legislation and could be subject to change in the future.

Can I change my mind?

You have the right to change your mind and cancel the investment within 30 days of receipt of the document entitled 'Notice of Your Right to Cancel'. If you decide to cancel, any fall in the value of your investment will be deducted from the refund of your investment.

If you have asked us to make any payments to a financial adviser, fund adviser or discretionary fund manager and we have made these payments, then we will be unable to refund the deduction to you. Please contact the relevant adviser(s).

Next steps

This guide has been designed to give you information on the features of the Wealth Preservation Account/ Wealth Preservation Europe Account. However, additional important information is also contained in the relevant Key Information document, Key Features document and your personal illustration.

If you have further questions, please speak to your financial adviser.

Getting in touch

If you have any questions regarding your Wealth Preservation Account, we recommend that you contact your financial adviser in the first instance. Where this is not possible, you can contact us in the following ways:

By post

Canada Life House
Isle of Man Business Park
Douglas
Isle of Man
IM2 2QJ

Call us

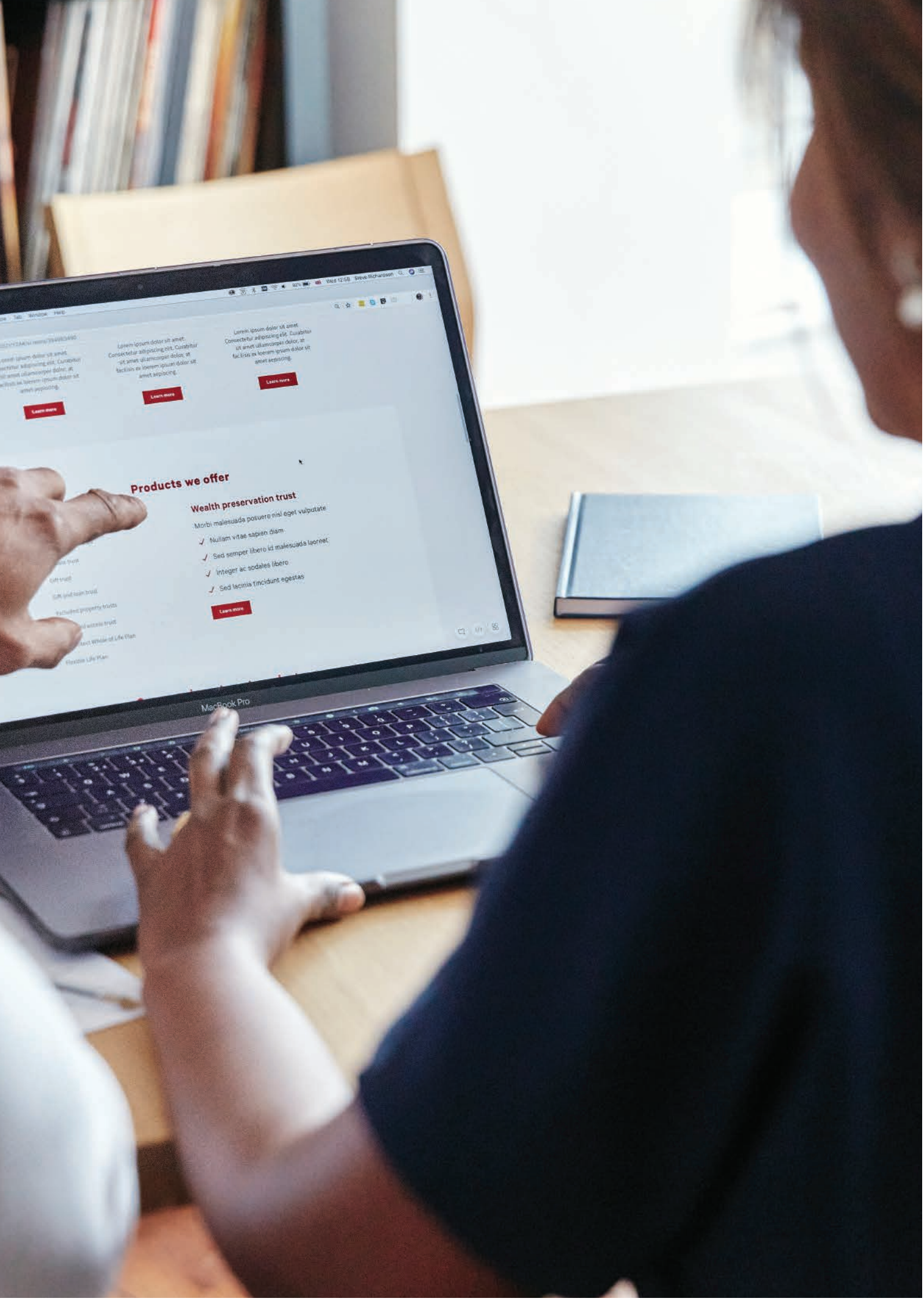
+44 (0) 333 015 1382

Email us

focus@canadalifeint.com

Online

www.canadalife.co.uk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