



LV= Smoothed Bond

The smooth way to boost tax-efficiency

Individuals and trusts are being affected by the ongoing tax changes introduced in April 2024*.

Onshore bonds continue to be a popular investment vehicle for long-term investors, with a particular focus on tax efficiency and inheritance planning. It is a single premium investment-linked life insurance product, and can be held by single or multiple individuals, or trustees.

The LV= Smoothed Bond enables you to invest with the following key features:

- A proven track record
- A modern and transparent smoothing mechanism
- Reduced investment volatility
- Five risk-rated funds
- 100% FSCS protection
- Max age of 89 for life assured

* gov.uk/government/publications/reducing-the-annual-exempt-amount-for-capital-gains-tax/capital-gains-tax-annual-exempt-amount

How does a bond help with tax efficiency?

Over the last few years we have seen many changes and reductions in the Capital Gains Tax (CGT) allowance and the Dividend allowance. CGT has been cut from £12,300 to £6,000 from April 2023 and £3,000 from April 2024, and Dividends from £2,000 to £1,000 from April 2023 and then again to £500 from April 2024.

Year	CGT (Individuals)	CGT (Trusts)*	Dividend Tax
Up to April 2023	£12,300	£6,150	£2,000
2023-24	↓ to £6,000	↓ to £3,000	↓ to £1,000
From April 2024 onwards	↓ to £3,000	↓ to £1,500	↓ to £500

* This is per trust. Therefore, if a settlor has created two trusts then the allowance would be split equally between them i.e. £3,000/2 = £1,500 per trust up to a maximum of 5.



A UK onshore bond, like the LV= Smoothed Bond, is exempt from CGT if held by the original owner, or by anyone who may acquire it from the original owner by way of a gift, or an unbroken chain of gifts. Therefore, it will not be impacted by the changes to CGT.

Onshore bonds are also effective at mitigating dividend tax. They're taxed as the top part of income after dividend income, and so will not be affected by the reduction to the allowance. Investors can also withdraw up to 5% tax deferred each year without creating any immediate chargeable gains.

The four core tax tools



Not liable for CGT – deemed to have already paid basic rate tax as we pay corporation tax on the fund.

Mitigating inheritance tax (IHT) – can be assigned to a new owner without an immediate tax charge, and generally treated as if the new owner had always owned the bond for the purposes of chargeable events. Exempt from IHT after 7 years if gifted or placed in a trust (type dependent).



Mitigates income tax <5% - 5% of the amount originally invested in a bond can be withdrawn each year without an immediate tax liability or need for a tax return. Anything above 5% is a chargeable event.

Top slicing relief – where a chargeable gain does occur, top-slicing relief allows it to be spread over a number of tax years.



Who is Smoothed Bond suitable for?



Trustees who do not have access to ISA and SIPP allowances



Individuals looking to mitigate inheritance tax liabilities



Mass affluent (including higher and additional rate taxpayers) individuals who have already used up tax-efficient ISA and SIPP allowances



Mass affluent (including higher and additional rate taxpayers) in need of regular tax efficient withdrawals

What are the benefits of the LV= Smoothed Bond?

- Growth over the medium to long-term
- Low volatility growth investment
- Range of income options including fixed levels of withdrawals
- Pre/post retirement income planning with tax planning options and flexibility to alter income
- Unique and proven smoothing mechanism
- 5 risk-rated funds from 2-6
- Easy to manage investment with use of our Savings & Retirement Adviser Portal
- Can easily be assigned to another owner to reduce tax liability
- Corporate investments
- Alternative to cash investments

Important

With Consumer Duty rules, it's important that advisers are able to demonstrate value and due care for their clients.

The LV= Smoothed Bond allows advisers to work with clients to more effectively tailor and measure their investment strategy against client objectives.

The ability to meet clients on this journey and provide a solution that offers low volatility while still achieving growth over the medium to long term is important. The LV= Smoothed Bond can help you help clients find a smoother path for the journey ahead.

To find out more about the LV= Smoothed Bond please

 **Visit** lvadviser.com

Alternatively, if you would like to speak to one of our Business Development Managers please get in touch with your usual LV= contact or via the details below:

 **Call** 0800 032 8298

 **Or send an email to** advisersupportteam@LV.com

If you'd like us to send you this document or any future correspondence in another format, such as Braille or large print, please just let us know.

Any references to taxation are based on our understanding of current legislation and HM Revenue & Customs practice which can change.

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