

# Offshore Endowments

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## WHAT IS AN OFFSHORE ENDOWMENT?

An offshore endowment is a tax efficient investment vehicle that is appropriate for investors who wish to invest large sums of money offshore and who have generally high marginal rates of tax.

## WHO CAN INVEST

- ◆ Individuals
- ◆ Trusts where all beneficiaries are natural persons

## KEY BENEFITS OF OFFSHORE ENDOWMENTS

- ◆ All taxable income generated within an endowment is taxed at an effective rate of 30% and all capital gains are taxed at an effective rate of 12%.
- ◆ Individual interest and capital gains tax exemptions are not utilized and thus remain deductible for the investor.
- ◆ All income and capital gains taxes are excluded from the calculation of personal taxable income and there is no risk of increasing personal tax liability.
- ◆ Simplified tax administration as the tax is levied and recovered within the endowment.
- ◆ Avoidance of offshore and local probate requirements and the associated savings in executor's fees due to the option to nominate beneficiaries within the endowment.
- ◆ Liquidity is created for beneficiaries as payment of the death benefit does not depend on the winding up of the estate.
- ◆ Protection against creditors on the entire value of the policy 3 years after inception and until 5 years after the maturity or termination of the policy.
- ◆ A wide range of underlying investment options are available and there are no restrictions on the underlying asset allocation.
- ◆ Withdrawals are generally tax free and all restrictions fall away after the initial 5 year restricted term.

## KEY CONSTRAINTS

- ◆ Withdrawals are limited to 100% of the initial investment plus 6% compound interest during the first 5 years and multiple withdrawals are also possible.
- ◆ Contributions are limited no more than 120% of the previous 2 years' contributions and where this is breached, a new 5 year restricted term is initiated.

## IMPLICATIONS ON DEATH

- ◆ Beneficiaries can be nominated to receive the proceeds.
- ◆ No CGT or Income Tax will be applicable on the transfer to a nominated beneficiary.
- ◆ No executor's fees will be payable where beneficiaries are nominated.
- ◆ No offshore Will or executor is required in the event of death.
- ◆ The proceeds still form part of the estate for Estate Duty purposes.

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