

Introducing the Lincoln Discounted Gift Bond

Investments

The investment which offers opportunities for capital growth and the option of regular withdrawals

This product is available to UK residents and domiciled individuals only.
Lincoln will only accept applications for this product through financial advisers.

The Lincoln Discounted Gift Bond

What are the benefits of the Discounted Gift Bond?

The benefits of the Discounted Gift Bond are:

- to potentially reduce the amount of inheritance tax due on your estate
- for you to receive fixed regular income payments
- to pass wealth onto your selected Beneficiaries on your death.

Who is the Discounted Gift Bond aimed at?

The Discounted Gift Bond is aimed at:

- those who have an estate worth more than the current inheritance tax threshold, which is £312,000 for the tax year 2008/2009
- people who wish to ensure that part of their estate is passed onto Beneficiaries which could include children or grandchildren
- people who have more than £25,000 to invest (this is the minimum amount and there is no maximum)
- people aged between 18 – 89 years old although as its main purpose is to mitigate inheritance tax, this product would be more suitable for those who are in or at retirement age.

How does the Lincoln Discounted Gift Bond work?

You invest a one off lump sum into the Bond and select an amount of income and how often you would like to receive regular income payments. These payments are fixed and cannot be changed so it is important that you decide how much income you will need not only now, but in the future.

The initial lump sum investment in the Bond is then gifted (placed) into Trust and we will notify you of the estimated level of discount on the gift to the Trust.

What is the discount?

As you can receive a regular income, the amount of your initial investment into the Bond can be discounted for inheritance tax purposes, once it is gifted into Trust. The discount is then calculated as the value of regular income payments you are expected to receive taking into account your age, state of health and your gender.

Example of how a Discounted Gift Bond works

Please note that this is just an example and does not relate to any specific individual. You should consult with your financial adviser before making any decisions about the Lincoln Discounted Gift Bond.

Ms Smith is 65 next birthday and has been widowed for five years. She is resident and domiciled in the UK and has recently become a grandmother for the fourth time.

Due to her age, Ms Smith has started to think about ensuring her four grandchildren benefit in some way from her estate after she dies. But rather than just give money to them directly, she requires some regular income to supplement her widow's pension (from her late husband's pension) and her state pension. So she arranges a review of her needs with a financial adviser.

To her surprise, during the review, it appears that her total estate is worth £577,000:

Home	=	£290,000
Cash/investments	=	£270,000
Personal belongings	=	£17,000
Total estate	=	£577,000

Her financial adviser points out that her estate is currently worth more than the inheritance tax threshold of £312,000 for the tax year 2008/2009. This means that on her death, her estate would incur an inheritance tax liability. The amount of this would be 40% of the amount that exceeded the threshold:

$£577,000 - £312,000$	=	£265,000
$40\% \times £265,000$	=	£106,000

The inheritance tax liability would therefore be £106,000.

She wants to keep £30,000 of her cash/investments in case of emergencies but is prepared to invest £240,000 of her cash/investments to try and help reduce her potential inheritance tax liability.

One option available to her is to invest £240,000 into a Lincoln Discounted Gift Bond.

By doing this, she could continue to receive regular repayments of say £12,000 a year payable monthly, reduce her inheritance tax liability on her death and ensure that her chosen Beneficiaries (her grandchildren) receive a lump sum each.

By investing £240,000 into a Lincoln Discounted Gift Bond, Lincoln estimates that the discounted value of her gift on which inheritance tax will be due to be £92,558.

This helps reduce the value of her overall estate to £429,558:

Home	=	£290,000
Cash/investments (to be kept back)	=	£30,000
Cash/investments (revised value)	=	£92,558
Personal belongings	=	£17,000
Total estate	=	£429,558

At the current inheritance tax rate of 40%, her inheritance tax liability is now £47,023 instead of the original £106,000:

£429,558 - £312,000	=	£117,558
40% of £117,558	=	£47,023

This means a reduction in the inheritance tax bill of £58,977 for Ms Smith's estate.

Your financial adviser will be able to provide advice on how to cover this remaining inheritance tax liability.

Into what Trusts can the Discounted Gift Bond be placed?

The Lincoln Discounted Gift Bond is offered in conjunction with two trusts:

- a Lincoln Discretionary Discounted Gift Trust – offering flexibility over who benefits, when and by how much
- a Lincoln Absolute Discounted Gift Trust – beneficiaries are fixed at outset and cannot be changed.

Further details of the Trusts including the tax implications are contained in the Lincoln Discounted Gift Bond Key Features, The Lincoln Discretionary Gift Bond Trust Guide and The Lincoln Absolute Gift Bond Trust Guide, all of which are available through your financial adviser.

How does the investment work?

The Discounted Gift Bond has a range of 21 funds from which to choose. Our funds invest in different markets all with varying degrees of risk. For more details on the funds and the risks involved with each, please contact your financial adviser or visit our website www.lincolnuk.co.uk

What to do next

This document should be read in conjunction with the Lincoln Discounted Gift Bond Key Features and relevant guides. As Lincoln can only accept applications through financial advisers, you will therefore need to discuss the suitability of this product and any queries you have with them in the first instance.

Alternatively, please contact us on

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