

# Client Planning Scenario



## Surrendering a bond tax-efficiently

Building deeper connections with your clients.



Our Venture Capital Trust (VCT) planning scenarios are based on situations advisers often encounter, making them a great starting point for discussions with your own clients.

Investment bonds are medium to long-term investments offered by insurance companies. The holder of the bond will only pay tax when a 'chargeable event' occurs, such as surrendering the bond, maturing of the policy or withdrawals in excess of the 5% annual allowance.

### Meet Asher

In this client planning example, Asher has an investment bond with a current value of £120,000 which he would like to surrender, as the bond no longer meets his financial planning objectives. However, Asher's financial adviser reminds him that surrendering the bond would create a chargeable event resulting in a £9,000 income tax bill.

### Using a VCT to offset a chargeable event

Asher's financial adviser suggests he consider the tax incentives available through a VCT. After talking through the benefits and the risks, his adviser explains that if he surrendered the bond and invested £30,000 in a VCT, he could claim up to 30% upfront income tax relief on the investment, effectively offsetting his £9,000 income tax bill, provided he holds the VCT shares for a minimum of five years.

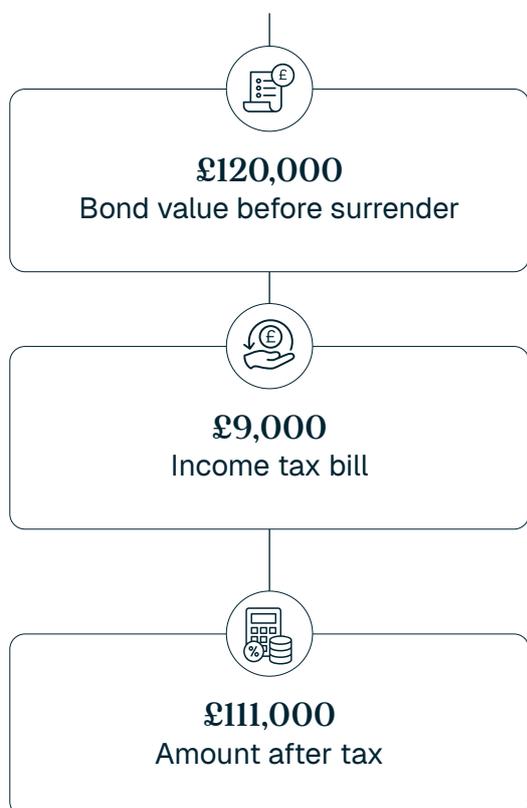
Surrendering the bond would free up £90,000 worth of capital which could be used to better meet Asher's financial planning needs. And as most VCTs target a dividend, he can also expect to receive an annual tax-free income from his investment. VCT dividends are completely tax-free and there's no HMRC requirement to declare them on his tax returns, so he retains his £500 dividend allowance.

**“In cases where a client wants to surrender a bond, recommending a VCT can be a great way for advisers to add value, by offsetting the tax due on surrender while also creating another valuable tax-free income stream.”**

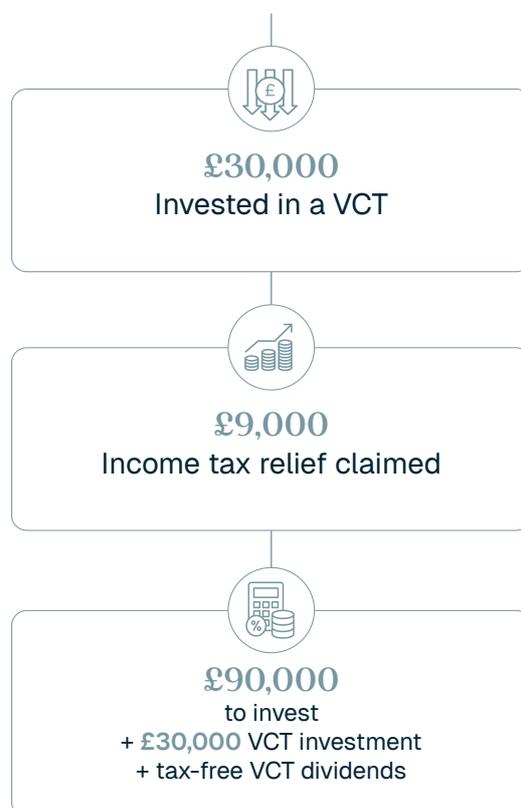
Jack Rose, Triple Point Head of Distribution

# VCT Investing

## Surrendering the bond



## With a VCT



Visit [our website](#) to explore more client planning scenarios.

**Investor's capital is at risk.** This illustration does not take into account investment growth or charges for the investment. It is based on tax rules and personal allowances at April 2025, which could be subject to change and depend on individual circumstances. Tax reliefs depend on a VCT maintaining its qualifying status and target returns may not be guaranteed.

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