

Casterbridge

Beyond GIAs:

how offshore bonds can
help beat the tax trap

SEPTEMBER 2025

Beyond GIAs: how offshore bonds can help beat the tax trap

General Investment Accounts (GIAs) were once a straightforward solution for investors who had used up their ISA and pension allowances, or needed flexible access to a broad range of assets such as funds, shares, and bonds. Generous tax allowances meant they offered a practical way to manage excess wealth without triggering significant tax liabilities. But that picture has changed dramatically in the last few years.

Are your clients taking a tax hit on their GIA?

The Dividend Allowance has been cut from £2,000 in 2022 to just £500 from April 2024, while the annual Capital Gains Tax (CGT) exemption has shrunk from £12,300 to £3,000 over the same period. For higher-rate taxpayers, dividend income above the £500 threshold is taxed at 33.75%, while capital gains above £3,000 are taxed at 24% on most investments (24% on residential property). As a result, more clients are paying tax on GIA portfolios that would previously have flown under the radar.

And for those clients with diversified, income-generating portfolios, or those making regular fund switches as part of an adviser's rebalancing strategy, the smaller allowances have created an administrative and financial headache. GIAs remain useful, but today it's increasingly hard for portfolio growth to overcome the higher tax burden.

Tax pressure is likely to increase

The Autumn Budget 2024 introduced another major tax trap. Under new rules, pensions will be brought within the scope of Inheritance Tax (IHT) for deaths occurring after April 2027, ending the long-standing exemption that made pensions a valuable tool for passing on wealth tax-efficiently. This change means clients who previously relied on pensions as a way to mitigate IHT exposure now need to rethink their estate planning. It could also lead to more investors using their pensions during their lifetime, potentially increasing reliance on other taxable investment vehicles such as GIAs or unwrapped portfolios.

There is also growing speculation of more tax tightening to come in the Autumn Statement 2025. Possibilities include freezing or lowering thresholds, restricting reliefs further, or aligning CGT rates with income tax thresholds. For advisers, this raises questions on how to balance income planning, estate planning, and tax efficiency. Without careful planning, tax liabilities, including income tax, capital gains tax, and now IHT, could hit clients from multiple directions.



Without careful planning, tax liabilities, could hit clients from multiple directions.



Offshore bonds: regaining control over tax exposure

One potential solution is to incorporate an offshore bond alongside clients' GIA holdings. While not a new concept, offshore bonds offer a range of tax advantages that complement other investment wrappers and can help manage rising tax exposure more effectively. Here's a reminder of what makes an offshore bond a valuable tax planning tool.

No annual taxable events:

Offshore bonds are non-income producing investments so, unlike GIAs, they don't generate annual taxable events. Instead, clients can take an income of up to 5% of the original investment each year for 20 years, without triggering an immediate tax bill. This is particularly useful for retirement income planning, offering a steady, flexible income stream. It also gives investors control over the timing and scale of any tax liabilities.

Tax deferral:

Unlike GIAs, gains within an offshore bond are not subject to ongoing CGT. This allows the investment to grow uninterrupted, with tax deferred until a future event. For clients not needing income in the near term, this compounding can enhance long-term returns. Advisers can help clients choose when to realise gains, such as in lower income years or after retirement, to reduce the overall tax burden.

No maximum investment:

Offshore bonds also have no upper contribution limit – unlike pensions and ISAs – giving them flexibility for clients with substantial investable assets. And because gains aren't reported annually, they avoid the paperwork and administrative burden associated with GIAs.

IHT planning:

Placing a bond in trust can support intergenerational planning and help mitigate future IHT liabilities. By using trusts, clients can ensure wealth is passed on in a controlled and tax-efficient manner.

How Casterbridge supports offshore bond solutions

At Casterbridge, we are one of few Discretionary Fund Managers (DFMs) with the necessary permissions and experience to manage portfolios within offshore bond structures. We'll work in partnership with you to make sure portfolios are aligned with your client's goals and wider financial plans. Here's how we can help you and your clients:

Discretionary management without CGT concerns: Our Discretionary Portfolio Service offers active investment management, including direct equities, with no capital gains tax reporting within the bond.

Flexible investment strategies: Our total return approach supports long-term growth and income reinvestment, while enabling managed withdrawals when needed.

Personalised service: You and your clients have direct access to a dedicated investment manager, available for portfolio reviews and annual meetings.

Mandate flexibility: If your client's objectives or risk profile change, we can adjust the portfolio without surrendering the bond or incurring charges or tax liabilities.

An approach to suit different clients' needs: For clients who don't need a full DFM approach, our seven risk-rated Hardy portfolios offer professionally managed solutions from top global fund managers, all within the offshore bond.



Let Casterbridge do the hard work

To explore how we can support your offshore bond recommendations, please contact the Casterbridge team.

Meet your team

Our investment team has over 80 years market experience, spanning four decades - dedicated to you.



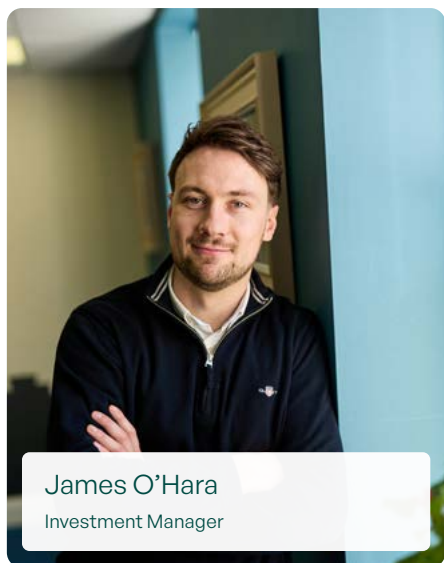
Keith Edwards
CEO & Lead Investment Manager



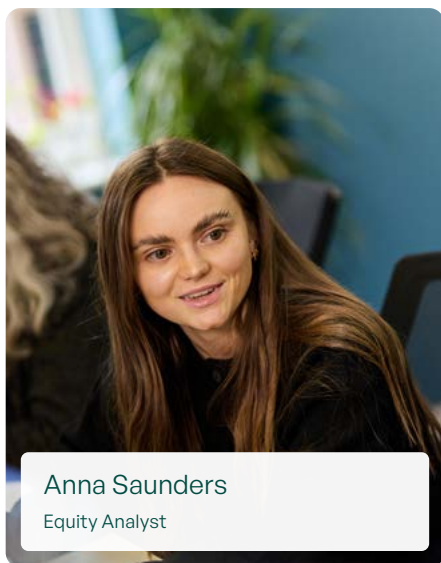
Julian Menges
Head of Strategy & Head of Hardy
Managed Portfolios



Will De Baer
Chartered Wealth Manager & Bespoke
Investment Manager



James O'Hara
Investment Manager



Anna Saunders
Equity Analyst



Matthew Cheek
Managing Director & Head of Distribution

Relationship Support

If you would like to know more about our services please contact Matthew Cheek.



07917 080361



matthew.cheek@casterbridgewealth.co.uk

Important Information

What you should know about investment past performance.

You should be aware that past performance is not an indication of future performance, the value of investments and the income derived from them may fluctuate and you may not receive back the amount you originally invested.

Important information about this brochure.

This publication is marketing material. It is for information purposes only. Our services described herein are designed for distribution to retail clients via professional advisers only, please speak to your adviser for further clarification in this regard. The wording contained in this document is not to be construed as an offer, advice, invitation or solicitation to enter into any financial obligation, activity or promotion of any kind. You are recommended to seek advice concerning suitability from your professional adviser. Any information herein is given in good faith, but is subject to change without notice and may not be accurate and complete for your purposes. This document is not intended for distribution to, or use by, any individual or entities in any jurisdiction where such distribution would be contrary to the laws of that jurisdiction or subject Casterbridge Wealth to any registration requirements.

About us

We, Casterbridge Wealth Limited, are authorised and regulated by the Financial Conduct Authority (FCA).

Details of our authorisation are available on the FCA register under firm reference number 727583; www.fca.org.uk/register. Casterbridge Wealth Limited is a registered Company in England and Wales.

Registered No. 09466507. Registered Office: Suite 4 Brewery House, 36 Milford Street, Salisbury, SP1 2AP.

Casterbridge

Casterbridge Wealth Limited
0800 644 4848
hello@casterbridgewealth.co.uk

Casterbridge Wealth Limited is authorised and regulated by the Financial Conduct Authority, No. 727583.
Registered in England and Wales no. 07126254. Registered office: Suite 4 Brewery House, 36 Milford Street, Salisbury SP1 2AP.