



Roll-up funds - a simple, tax efficient and flexible way to invest

The first port of call for many investors is usually the tax advantaged schemes that most governments use to encourage a certain level of saving. In the UK we have ISAs (Individual Savings Accounts) and personal pensions, but these are subject to a multitude of complex and regularly changing regulations and crucially the amounts that can be invested are restricted.

For anyone with an additional lump sum to invest the commonly used alternatives can be problematical. A savings account will generate a pitiful return with interest rates at historic lows and the net return will be further reduced by tax. For longer-term investors prepared to take on some risk, a distributing investment fund, including most unit trusts and OEICs, will generate an annual tax liability, whether or not the income is actually required. An individual portfolio of shares and bonds will also produce returns that are taxable and comes with the additional disadvantage of being burdensome to manage and administer. Other alternatives offering tax-efficiency, such as the products of insurance companies sold by financial advisors, are usually difficult to understand, inflexible and expensive to buy.

An offshore gross roll-up fund such as the Heritage Funds could provide the answer. The roll-up fund automatically retains income and capital gains within the fund without the deduction of tax. These returns produce an increase in the net asset value and price of the fund and subsequent re-investment enables returns to compound tax free within the fund itself. On an ongoing annual basis there is no need for the individual investor in the fund to account for or pay any tax.

When you require access to your funds you simply sell sufficient shares to raise the required amount. Although a tax charge is triggered at this point, you do not pay tax on the full amount sold but just on the top-slice of it that represents growth, with the balance representing a return of capital. Of course you could choose to simply let the returns roll-up tax free indefinitely, or at least until a stage in your life when you actually require the funds and are perhaps subject to a lower tax rate.

We therefore believe that investors looking for a simple way to invest an uncapped sum in a tax efficient vehicle which allows you access to your money whenever it suits you would do well to consider an offshore gross-roll up fund - and with no initial charges or exit fees the Heritage Funds offer an unusually simple and efficient such alternative.

Important note

Heritage is an investment manager and not a financial advisor so if a client requires any advice as to the suitability the Heritage Funds and how this may fit into an overall financial plan, they should seek appropriate financial advice – which we are happy to arrange through an association we have with a well established regulated advisor.