For adviser use only

Nucleus Wrap Offshore Bond account

Target Market

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Contents

What is the Nucleus Wrap Offshore Bond account?	3
What customer needs and objectives does the Nucleus Wrap Offshore Bond account aim to meet?	4
What customer characteristics is the Nucleus Wrap Offshore Bond account designed to be compatible with?	6
Offshore Bond account advice	8
Nucleus Wrap Offshore Bond account, Nucleus and our part in the distribution and value chain	8
How is the Nucleus Offshore Bond account distributed?	8
Vulnerable customers	9
Reviewing customers against our target market	10
Product and Services outcome	10
Price and Value outcome	10
More information	11
Contact us	11

This document provides important information on the target market of the Nucleus Wrap Offshore Bond account and the customer aims, objectives and needs it is designed to support. It is intended for use by advisers to help you understand whether the Nucleus Wrap Offshore Bond account is right for your clients. It is based on Nucleus' opinion and does not take into account individual customer circumstances.

What is the Nucleus Wrap Offshore Bond account?

The Nucleus Wrap Offshore Bond account is an offshore life assurance contract consisting of 100 identical segments issued in the Isle of Man by RL360. The contract has no specified term.

The Nucleus Wrap Offshore Bond account allows customers to invest tax efficiently, a cash lump sum over the medium to long term with the aim to produce capital growth and the ability to take tax efficient withdrawals. It allows the customer to invest in a wide range of investments to meet their objectives and risk profile and switch between these, tax efficiently.

In addition, the customer can make withdrawals of up to 5% of their initial investment for each year, for up to 20 years, without incurring an immediate tax liability no matter what their tax status. The payment of any advice fees, or discretionary asset manager fees from their Nucleus account will be treated as a capital withdrawal for tax purposes and will count towards the 5% tax deferred allowance. If the 5% allowance, or part of it, is unused in any given policy year, then it is carried forward on a cumulative basis.

The Nucleus Wrap Offshore Bond account has the following features:

- The whole bond or a number of segments can be assigned subject to the policy limitations.
- The account can be used with a number of trusts from the Nucleus trust suite or an existing trust deed.
- Online application and illustrations.
- Online servicing.
- Automated adviser charging.
- Ability to invest in a wide range of investments, including collective investment funds (such as unit trusts and OEICs) and investment trusts - there are over 2,500 assets to choose from.
- Flexible withdrawal options
- Switch between funds without incurring a Capital Gain Tax liability.
- Not subject to Capital Gains Tax in the main.
- Access to adviser model portfolios and Discretionary Fund Managers.
- Is a non-income producing asset so no ongoing reporting requirements to HMRC unless there is a chargeable event.
- Ability to allow the fund to benefit from gross roll up subject to any non-reclaimable withholding taxes.
- As a non-income producing asset, could be a suitable asset for trustees and individuals to allow for estate planning.

The Nucleus Wrap Offshore Bond provides access to a wide range of investments which must be both available through the Nucleus wrap and fulfil the due diligence criteria of RL360. Certain assets such as fixed term deposits, which are available through the Nucleus wrap, are not available for investment in the Nucleus Wrap Offshore Bond account.

All investments must be pre-approved by RL360 for use on the Nucleus Wrap Offshore Bond.

For more information, see our Key Features Document.

What customer needs and objectives does the Nucleus Wrap Offshore Bond account aim to meet?

The aim of the Nucleus Wrap Offshore Bond account is to;

- enable the customer to save in a tax-efficient way through a single lump sum contribution of £50,000, or more, and any additional top up contributions of £5,000 or more thereafter.
- allow the customer and their adviser to make their own investment decisions in accordance with the terms and conditions of the Nucleus Wrap Offshore Bond account.
- provide a potentially tax-efficient method of investment.
- provide a cash lump sum on the death of the last life assured.
- pass wealth down through the generations through assignments.

The Nucleus Wrap Offshore Bond account is designed to be compatible with the following customer status, needs and objectives:

- Customers who have at least £50,000 to invest at outset.
- Advised customers with a basic level of financial capability that would enable the customer to provide informed consent to the advice provided.
- UK residents for tax and whose primary address is in the UK. In all cases the customer must not be a US person – irrespective of country of residence.
- UK based Corporations or Trusts (all Trustees must also be UK residents).
- Crown Servants who carry out duties that are treated as performed in the UK or the spouse or civil partner of a person who performs such duties.
- Non-US Persons.
- Have the ability to bear losses to capital without creating significant financial hardship.
- Individuals aged 18 years of age or over (restrictions apply to the age of the lives assured).
- Joint or single applicants.
- To build their savings in a tax efficient way and obtain the potential to defer higher and additional rate tax on income and growth.
- To invest for the medium to long term (five years, ideally longer).
- To access investment options such as a range of funds, an integrated stockbroking service for exchange traded investments, adviser model portfolios and access to Discretionary Fund Managers ("DFM").

- To be able to view details of their bond and request changes/initiate instructions online (subject to RL360 approval).
- To help reduce inheritance tax liability on a customer's estate by writing the Nucleus Wrap Offshore Bond under a suitable trust arrangement.
- Have already considered maximising pension contributions and Isa subscriptions, where appropriate to do so or have available money to invest.
- To make tax deferred withdrawals across all segments or segment surrender on a regular or ad-hoc basis to provide an income and flexibly access their savings (minimums apply).
- To take advantage of tax efficient features such as gifting by way of assignment (where the customer chooses to assign only some segments, the segments must be surrendered immediately by the assignee).
- Wish their bond to be on a whole of life basis with Lives Assured. The bond will end on the death of the last life assured.
- Are willing to be subject to the Isle of Man Compensation of Policyholders Protection Scheme instead of the UK Financial Services Compensation Scheme.
- Customers who can take advantage of any tax allowances upon a chargeable event.
- Switch between assets without incurring a Capital Gains Tax liability.

The Nucleus Wrap Offshore Bond account is NOT designed to be compatible with the following advised customers needs, objectives or status:

- Customers who have at least £50,000 to invest at outset.
- Non-UK residents whose primary residence is located outside of the UK (Irrespective of tax residency) – persons residing in the UK but who are not UK tax resident.
- US persons (irrespective of country of residence).
- Non-UK based Corporations or Trusts and Trustees.
- Non-advised customers.
- To invest only for the short term (less than five years) unless there is a specific customer objective.
- To provide an investment for customers not willing to accept any risk to capital or the other risks as stated in the Key Features Document.
- To invest in cash for the long-term while saving in the Nucleus Wrap Offshore Bond account.
- To utilise investments which are not available on the Nucleus wrap or Nucleus Wrap Offshore Bond account such as fixed term deposits.
- To provide a guaranteed income for life.
- To follow a very simple investment strategy over the long term where a lower-cost investment product might be more appropriate.
- Have not considered all the investment wrapper options available to them.
- Wish to have a capital redemption bond.
- Wish to keep an amount less than £10,000 in the bond after any money is taken out of the bond or if any segments are assigned.
- Customers who wish to assign segments for money or money's worth or who wish to assign some segments for the assignee to retain.
- Wish to receive compensation under the UK Financial Services Compensation Scheme.

What customer characteristics is the Nucleus Wrap Offshore Bond account designed to be compatible with?

In addition to the needs and objectives the Nucleus Wrap Offshore Bond account is designed to meet, we can also define the customer characteristics it's compatible with. As this can be a more subjective part of your advice process, we've broken down customer characteristics into three main categories:

- Target market – This is the core group of customers that the product has been designed for.
- Potential suitability – This is a wider group of customers the product may still be suitable for but is not our core target market.
- Not suitable for – Customers exhibiting one or more of the characteristics stated here are unlikely to be suitable for this product.

Customer characteristic	Target market	Potential suitability	Not suitable for
Age	40 - 80	Over 18	Under 18
Individual applicants and trustees must be aged at least 18. If the youngest life assured is 76 years of age or older, the application cannot be accepted. If the customer is the sole life assured, the maximum age the customer can be at the point of application is age 75.			
Investment knowledge and experience	Any level of investment knowledge and experience with an appointed, regulated financial adviser	Any level of investment knowledge and experience with an appointed, regulated financial adviser	Any level of investment knowledge and experience without a financial adviser
Bonds can be complex arrangements, especially when ensuring the right decisions are made at the right time to maximise benefits. All applications must be submitted by a adviser regulated by the Financial Conduct Authority (FCA).			
Fund size	£50,000 or more	£50,000 or more	Less than £50,000
Minimum investment to open the Nucleus Wrap Offshore Bond is £50,000 with no maximum amount. Subsequent top ups of more than £5,000 are accepted. If the customer encashes part of the Nucleus Wrap Offshore Bond account, the remaining value must not be brought below £10,000 after any money is taken out of the bond or if any segments are assigned.			
Length of investment	Medium to long term – five years, or longer	Medium term – at least five years	To invest for the short term (less than five years unless there is a specific customer objective)
We recommend that investments are made at least for the medium to long term – that is at least five years and ideally longer. Shorter timescales may be appropriate in certain circumstances, but less than five years is unlikely to be.			

Customer characteristic	Target market	Potential suitability	Not suitable for
Attitude to/capacity for risk	All except no appetite for risk	All except no appetite for risk	No appetite for risk and/or investing for capital preservation only
The wide range of investments on offer mean that all attitudes and capacities for risk could be met except for zero risk or preservation of capital. Although capital preservation investment options are available, it is possible that the combination of product, investment and advice charges could lead to some capital erosion.			
Tax status	Customers must be a resident in the UK for tax purposes	Customers must be a resident in the UK for tax purposes	Customers who are not a resident in the UK for tax purposes Non-UK residents/ US Persons
The Nucleus Wrap Offshore Bond account is designed for UK resident, non-US persons only. Non-UK resident customers and US persons (irrespective of country of residence) are not permitted. Crown Servants (For example Armed Forces, Diplomatic Service or Overseas Civil Service) and their spouse or civil partner are permitted. Only UK based Corporations or Trusts are acceptable. All Trustees must also be UK resident and non-US persons. Where the customer is expected to be a non-tax payer at surrender, the bond can be a very tax efficient investment. Where the customer is expected to be a higher or additional rate tax payer on surrender, it will limit the tax efficiency of the investment.			
Income / wealth	Ultra and high net worth, affluent	Mass affluent, with funds available for investment	No funds to invest
Our target market includes those customers likely to have sufficient income and savings to invest at least £50,000 in the Offshore Bond account. Where a chargeable gain arises, Nucleus will issue a chargeable event certificate to the customer.			
Country of residence	UK residents	UK residents	Non-UK residents/ US persons
The Nucleus Wrap Offshore Bond account is designed for UK residents and non-US persons only. Non-UK resident customers and US persons (irrespective of country of residence) are not permitted. Crown Servants (For example Armed Forces, Diplomatic Service or Overseas Civil Service) and their spouse or civil partner are permitted. Only UK based Corporations or Trusts are acceptable. All Trustees must also be UK resident and non-US persons.			

We will class all customers as retail clients for the purposes of the FCA rules. Customers can request a professional classification, but this may result in a lesser degree of regulatory protection and the loss of the protections and compensations to which a retail client is entitled.

Offshore Bond account advice

Customers must have an FCA regulated financial adviser when opening the Nucleus Wrap Offshore Bond account. We are not permitted to provide investment advice and we cannot provide any advice on the merits of using the service.

Nucleus Wrap Offshore Bond account, Nucleus and our part in the distribution and value chain

The Nucleus Wrap Offshore Bond account is provided by RL360 Insurance Company Limited (RL360) who are based in the Isle of Man. Nucleus acts as an insurance intermediary and distributes the bond. All applications are subject to the customer agreement to both the Nucleus and RL360 Terms and Conditions.

We're responsible for ensuring that the Nucleus Wrap Offshore Bond account represents fair value to customers on an ongoing basis.

We are not responsible for charge levels or the determination of fair value regarding charges for products or services not provided by Nucleus. For example, we are not responsible for charges relating to financial and investment advice, although we do apply decency limits to advice charges facilitated by the Offshore Bond.

How is the Nucleus Wrap Offshore Bond account distributed?

The Nucleus Wrap Offshore Bond account is distributed via FCA regulated financial advisers that have customers within our target market. All advisers intending to introduce business to Nucleus must first sign a formal Terms of Business agreement which should be read in conjunction with the Adviser Remuneration Policy.

All applications are subject to RL360 approval. Customers must provide satisfactory evidence of source of wealth, proof of identity, residency and age in line with Isle of Man requirements.

We do not accept applications direct from customers.

If a customer becomes non-advised after the account is set up, they can retain the account, manage their products and access our services. Some products and services may be restricted due to their complex nature or the increased likelihood of poor customer outcomes when acting on a non-advised basis. For more information, please see our terms and condition document and our "The services we offer if you don't have an adviser" guide.

Vulnerable customers

We have both a moral and regulatory duty to ensure that vulnerable customers are identified and treated fairly, according to their needs and experience outcomes as good as those for all other customers. We understand the importance of recognising and responding to vulnerability and the varied needs of vulnerable customers. To that end, we have a Group Vulnerable Customer Policy in place and staff have received and continue to receive ongoing training and support in recognising, dealing with and accommodating the needs of vulnerable customers.

The FCA has identified four key drivers which may increase vulnerability, these are:

- Health
- Life Event
- Financial Resilience
- Capability

To aid us in identifying and accommodating any additional support or tailored requirements that our customers may require it is helpful if advisers or customers:

- notify us at time of new business application of any adaptations required to support the customer.
- update us through the lifecycle of the account of any new vulnerable characteristics identified or any that can be removed.

Examples of adaptations that can be made for customers with vulnerable characteristics, include the provision of:

- Documentation provided in a range of formats, such as larger font size, braille, or audio.
- Customers can have a single contact, so they can speak to the same person each time they call.
- Tailoring communications in a way that suits customers, for example by phone, email or post.
- If customers can't sign paperwork easily, we can arrange for use of a secure signature stamp.
- Following up telephone calls with written letters.
- Calls with the customer and a supportive third party.
- Customer representatives process to grant authority for a trusted individual to communicate with us on a customer's behalf.

Reviewing customers against our target market

We review Offshore Bond account new business on a regular basis to assess whether the product has been distributed in accordance with the information in this target market document. However, in line with FCA guidance, it remains the responsibility of each distributor to ensure that this target market is followed as they are best placed to consider customer personal circumstances, needs, objectives, characteristics and suitability.

If we have concerns about plans distributed to customers that we believe are unsuitable, we will first contact the distributor to raise and discuss our concerns. We will not take further action until this discussion has taken place unless we feel there is significant potential for poor customer outcomes by delaying action.

Product and Services outcome

We regularly conduct product reviews against the relevant Consumer Duty rules contained in PRIN 2A.3, the Products & Services outcome rules. The review seeks to ensure the product delivers fair customer outcomes, in line with the standards they are led to expect by looking at:

- Target market and distribution strategy.
- Risks of the product to the target market and vulnerable customers.
- Vulnerable customers.
- Meeting the needs, characteristics and objectives of the target market.
- Terms and conditions review.
- Avoiding adverse effects on groups of customers.
- Product testing.
- The Cross-Cutting Rules.
- Avoiding foreseeable harm and risk mitigation.

Price and Value outcome

We regularly conduct price and value assessments against the relevant Consumer Duty rules contained in PRIN 2A.4, the Products & Value outcome rules. Our three broad assessment categories are Price, Service and Product and proposition.

- This gives us a comprehensive view of the costs incurred by customers in relation to the benefits they're receiving from our products. We assess the status of each category using internal and external comparative metrics. External metrics being compared to the relevant market competitors where possible and internal being measured against our own targets.

We've evaluated multiple aspects from each of the below categories. The fair value result is an aggregate of all constituent parts;

- Price: Understanding the charges incurred by a customer is vital in assessing whether the product is representing fair value.
- Service: Service provision is a vital and tangible component of the perceived value of any product.
- Product and proposition: This comprises the key features of the product including the overall proposition within which the product is provided.

Our final conclusion was that the product represents fair value to customers in the target market.

More information

For more information about the Nucleus Wrap Offshore Bond account, please refer to these documents;

- Key Features of the Nucleus Wrap
- Key Features of the Nucleus Offshore Bond account
- Nucleus Offshore Bond Terms and Conditions provided by RL360
- Nucleus Terms and Conditions which includes information on charges
- Priips Key Information Document (KID) Offshore Bond account
- Offshore bond guidance document

For more information about our Product Lifecycle Management process or questions about Due Diligence, please contact your Nucleus business development manager.

Contact us

If you'd like to speak to us about this target market document, please call 0131 226 9535 or email client.relations@nucleusfinancial.com. Please don't send personal, financial or banking information via email.

The value of Offshore Bond account funds may fall as well as rise. The tax treatment and tax benefits of an Offshore Bond account outlined in this document are based on our understanding of current tax law, and draft legislation that can change. Tax treatment depends on a customer's individual circumstances and may change in the future.

The Nucleus Wrap Offshore Bond account is provided by RL360, RL360 International House, Cooil Road, Douglas, Isle of Man, IM2 2SP, British Isles. The Nucleus Wrap Offshore Bond account is regulated by the Isle of Man FSA. The Nucleus Wrap Offshore Bond account is subject to the law of the Isle of Man as stated in the Terms & conditions issued by RL360 Insurance Company Limited.

For literature in alternative formats, such as Braille, large print, audio or E-text, please call us on 0131 226 9535, or via the Relay UK service on 18001 0131 226 9535.

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