



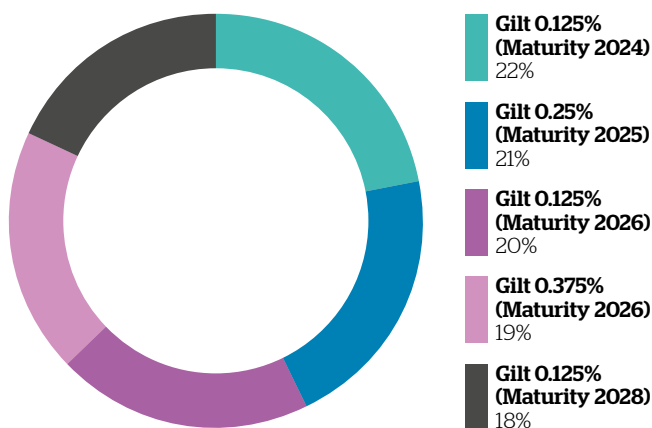
Case study

# Investing in UK Gilts to pay school fees

John is a 50-year-old lawyer with twin sons who are entering a private secondary school next year. He is structuring his finances in preparation for the significant annual school fees of £70,000 over the next five years. John is subject to additional tax rate on his investments.

John's tailor-made investment portfolio is composed of five UK gilts with maturities spanning from 2024 to 2028. These instruments are carefully selected to provide John with a consistent annual cashflow throughout his investment timeframe. Since capital gains on the gilt are not subject to capital gains tax, we have carefully selected the gilt issuances with the lowest coupon rates and the highest capital gains, so that the tax impact on John is minimised.

## John's gilt investment portfolio with initial size of £325,000



## Cashflow analysis of John's gilt investment portfolio

Instrument	Maturity	Annual interest rate*	Investment size	Return of capital at bond maturity date
Treasury Gilt 0.125%	31/01/2024	4.94%	£70,000	£71,225
Treasury Gilt 0.25%	31/01/2025	4.68%	£67,000	£71,140
Treasury Gilt 0.125%	31/01/2026	4.32%	£65,000	£71,665
Treasury Gilt 0.375%	22/10/2026	4.34%	£63,000	£71,066
Treasury Gilt 0.125%	31/01/2028	4.20%	£60,000	£71,539
<b>Total</b>			<b>£325,000</b>	<b>£356,636</b>

Data as at 26/09/2023; Return figures indicated above are net of taxes but gross of management fees.

\*For gilts this is the total rate of return you will receive after all interest (coupon) payments and the original principal is repaid and so assumes you buy and hold the gilt until it matures. If you sell before the maturity date you may be subject to mark-to-market losses.

## **Important information**

Investors should be aware that the price of investments and the income from them can go down as well as up and that neither is guaranteed. Past performance is not a reliable indicator of future results. Investors may not get back the amount invested.

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