

AJ BELL GILT MANAGED PORTFOLIO SERVICE

Case studies



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Case study 1: Planned expense

John and Mary are both higher rate taxpayers with opportunity for at least one of them to have potential earnings to make them an additional rate taxpayer soon. They have a 16-year-old daughter, Emma, who they hope will be going to university in a couple of years. They need to make sure they have £65,000 available to cover her tuition fees and living expenses during the three-year course.

The couple had considered keeping the money in a savings account. However, with interest rates falling the returns could be minimal, and inflation might erode the value of their savings. The tax incurred as higher or additional rate taxpayers on the interest they would receive would eat away at the overall pot available for Emma's education – especially if either John or Mary move into the additional rate tax bracket, where no allowance is provided for interest earned.

Instead, their adviser recommends the AJ Bell Gilt MPS. He explains that by investing in gilts, they can approximately align the maturity date with Emma's university start date, and achieve better returns than cash without incurring the kind of risk that investing in shares typically involves.

What's more, the bulk of their returns from the AJ Bell Gilt MPS would be from capital gained by holding gilts until their maturity, and those gains would be exempt from capital gains tax, with only small proportion of the return coming from interest. This is more tax-efficient when compared against interest from a savings account, which would be subject to income tax. The overall result would be that John and Mary can retain a greater proportion of the return generated from their investment for Emma's education, rather than paying away either 40% or 45% in tax on their return if it remained in a savings account.

As an example, based on either John or Mary (or both) being an additional rate taxpayer, the below are returns that can be expected from a fixed-interest deposit account over three years and the adjacent AJ Bell Gilt MPS Final Maturity 2029.

This example assumes that the investor is an additional rate taxpayer, interest is received annually, and that any proceeds from gilts that mature within the portfolio are reinvested until the final gilt has matured in January 2029. The figures are indicative of returns an investor could receive from the comparative investments.

	Three-year fixed-term deposit	AJ Bell Gilt MPS Final Maturity 2029
Initial investment	£60,000	£60,000
Rates of return (annualised)	4.00% interest rate (gross)	3.49% yield to maturity (net)
Indicative total return after tax	£64,047	£66,438

As at 31 December 2025.



For illustrative purposes only. Tax treatment depends on individual circumstances and rules can change. This information is intended for professional advisers only.

Case study 2: Retirement liquidity

Susan will be retiring next year and will qualify as a higher rate taxpayer from the income she will receive from her pension. She plans to take a 25% tax-free lump sum (PCLS). She has no immediate use for the capital, but may wish to spend the money on a new holiday home in the relatively near term (i.e. three years or sooner). She therefore needs the funds to be easily accessible so she can snap up the right property when she finds it. In the meantime, she wants to preserve the cash in an environment where it can grow without the gains being limited by paying tax.

Having looked at the rates available from fixed-term cash account providers, she's worried that the returns would barely keep ahead of inflation, so she turns to her adviser for help. He suggests investing in the AJ Bell Gilt MPS, using a combination of AJ Bell Gilt MPS Final Maturity 2027 and AJ Bell Gilt MPS Final Maturity 2029 that would provide twice-yearly coupons with known maturity dates, and the opportunity to make capital gains that are exempt from capital gains tax. A minimal proportion of the return would come from the (taxable) interest payments provided by the gilts within the portfolio, unlike a savings account where all the money generated from her investment would be returned in the form of interest, which would therefore limit the overall amount of money she receives back.

As gilts are highly liquid and traded daily, Susan would easily be able to access the capital if needed. This strategy would also allow her to stagger her investments, providing flexibility and access to funds over a few years.

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Case study 3: Gifting for a house deposit

Shefa wants to gift her son, Alex, £50,000 for a house deposit in a few years. She had thought about putting the money in a fixed-term deposit account until it's needed, but is concerned that interest rates are no longer as high as they have been, and any return she did get would be subject to income tax. As an additional rate taxpayer any money that Shefa earns in interest from the deposit will be taxed at 45%.

After speaking with her adviser, she decides that the best solution could be to put her money into the AJ Bell Gilt MPS Final Maturity 2029, which contains gilts that will mature between 2026 and 2029. This aligns with the timeline for Alex's house purchase, and would also offer regular returns twice a year, in the form of coupon (income) payments, although these would be a smaller proportion of the return. Crucially though, most of the return would come through capital gains, which are exempt from tax when returned from investment within a gilt. She would be able to maximise that capital return by redeeming the gilts at par once they reach maturity. As a result, the overall return received would be greater than that received from a fixed-term deposit account, because of the amount of tax that would have to be paid on the interest generated in the latter.



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Case study 4: Cash management for HNW clients

Sarah is a high net worth client who continually maximises the annual investment allowances within her ISA and SIPP accounts, and who still has excess savings (and / or income) to invest.

She currently has £500,000 in fragmented cash holdings that are spread across various savings accounts outside these tax-efficient wrappers, and has no immediate need to drawdown on that capital. However, she still wants it to make a reasonable return compared to interest rates, but at relatively low risk. As a higher rate taxpayer, she's also keen to minimise any tax costs.

Her adviser suggests consolidating all the cash into the AJ Bell Gilt MPS, using a mix of AJ Bell Gilt MPS Final Maturity 2027 and AJ Bell Gilt MPS Final Maturity 2029. This low-risk approach would provide better net returns compared with interest-bearing accounts, because most of her returns would come through tax-exempt capital gains.

Using both AJ Bell Gilt MPS Final Maturity 2027 and AJ Bell Gilt MPS Final Maturity 2029 would also allow Sarah to manage her cash flow needs while maintaining flexibility. The overall return from the gilt portfolios when held to maturity would be greater than that of any return earned from monies held across savings accounts, due to the amount of tax Sarah would have to pay away (40%) on interest earned from those savings accounts.

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Case study 5: Phased retirement for a higher rate taxpayer

Paul is 63 and planning to cut down his working hours over the next two years. He wants to draw modest income during this transition, but hopes to delay taking money from his SIPP until he becomes a basic rate taxpayer.

His original plan was to hold his full two to three year income requirement in a cash account. However, high taxable interest would leave him worse off – especially while he remains a higher rate taxpayer. With interest rates falling, he's also worried about earning very little on that cash, particularly if inflation continues to rise.

His adviser recommends moving part of the short term bucket into the AJ Bell Gilt MPS Final Maturity 2028, held in his GIA. By using gilts with maturities aligned to his income needs, Paul benefits from the predictable return profile of fixed income, while avoiding the potential volatility of stocks during his transition into full retirement.

The majority of his return comes from gilts maturing at par, rather than from interest. This is particularly helpful for Paul, because the capital element of gilt returns is exempt from capital gains tax. Compared with taxed interest from a savings account, more of her return is retained.

This structure means Paul can meet his short term income needs in a tax efficient way, keep his SIPP untouched until his tax rate drops, and leave his ISA and SIPP invested for medium and long term growth through the AJ Bell MPS range.

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Case study 6: Securing low-risk cash at retirement

Tom is 64 and plans to retire in three years. He has £200,000 in a high interest savings account that was originally intended as a low risk reserve for his early retirement income. The account currently pays 4.5% AER, but the rate is variable, and his adviser expects rates to fall over the next 12–24 months. As a higher rate taxpayer, Tom also loses a large part of the interest to tax, which reduces the real value of holding everything in cash.

Tom wants to keep risk low and avoid drawing on his longer term investments in volatile markets.

Instead of keeping the full amount in cash, his adviser introduces a blended approach using the AJ Bell Gilt MPS Final Maturity 2032, which includes gilts with defined maturity dates. One of the core holdings in the portfolio is the 1% Treasury Gilt maturing on 31 January 2032, which represents 25% of the strategy. This maturity allows Tom to align a portion of his reserve with the period when he expects to take withdrawals, giving him a clearer timetable for accessing capital.

Most of the return from the Gilt MPS comes from the natural capital uplift as individual gilts move back towards par at maturity. Because this uplift is exempt from capital gains tax, it provides a more tax efficient return for Tom than receiving fully taxable cash interest. Only a small part of the return is treated as interest, helping him retain more of the growth in his reserve.

By holding a gilt maturing in 2032, Tom also benefits from potential capital gains – something a standard savings account cannot offer. This gives him an added source of return, while keeping risk low and transparent.

By combining a smaller cash balance with the AJ Bell Gilt MPS Final Maturity 2032 in his GIA, Tom gains a more predictable and resilient income plan for the years around retirement.

This approach gives Tom clarity on when capital will be available, improves tax efficiency, and strengthens the sustainability of his early retirement income – without increasing his risk appetite.

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i | This brochure provides general information about the AJ Bell Gilt Managed Portfolio Service. It should not be read or construed as investment advice. It is your responsibility to assess your clients' circumstances and make a personal recommendation that is suitable for their needs.

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