A TOOL FOR STRUCTURED WEALTH PLANNING

utmost
WEALTH SOLUTIONS

THE OBJECTIVE OF STRUCTURING WEALTH IS TO:

› Grow it
› Preserve it
› Spend it when needed
› And transfer it to the next generation

In a controlled, tax-efficient manner.

Private placement life insurance (PPLI) can be used in an integrated wealth and succession plan for high net worth (HNW) clients.

WHAT IS PPLI?

PPLI is life insurance with a value linked to the performance of the chosen assets within an open-architecture life assurance policy. It is a globally recognised legal structure that offers a wide range of investment opportunities and flexibility to help grow and preserve the value of the policy, in a tax-efficient way, for current and future generations.

Why PPLI for HNW?

WEALTH TRANSFER

Facilitates succession planning

HNW clients can use beneficiary nominations or trusts to pass on assets on death or during their lifetime. Nominations and trusts can be confidential and help avoid family disputes, challenges and forced heirship rules in some countries.

Avoids probate

By using a beneficiary nomination or placing the PPLI policy in trust, it avoids any probate delay when the policyholder dies. The PPLI benefits, derived from the assets that were previously spread across multiple jurisdictions, can be swiftly passed on to the beneficiaries without delay.

WEALTH GROWTH

Offers diversification

It provides access to an array of assets to meet the different needs, investment objectives and risk profiles of HNW clients.

Reduces complexity

HNW clients can transfer existing assets into the policy as 'premium in kind', to consolidate them in one place rather than via multiple banks or investment accounts. This offers the potential for cost-efficiency plus the benefit of easier management by seeing all assets together at-a-glance. Clients can also choose their designated custodians if they already have existing relationships.

Provides liquidity

Clients can access their money, if needed, via partial withdrawals.

WEALTH PRESERVATION

Optimises tax-efficiency

By consolidating and changing the ownership and title of the underlying assets within a PPLI (rather than holding them directly), the assets become Utmost International's. The assets can grow in value, virtually tax-free except for certain withholding taxes. Using a suitable trust to hold the PPLI, HNW clients can also reduce tax liabilities arising on death.

Reduced reporting

To meet the regulatory requirements of the Common Reporting Standard (CRS), the policy value is reported rather than each individual holding.

WEALTH PROTECTION

Extra protection

Using a PPLI in a suitable trust can provide protection by ring-fencing the assets provided that there is no fraudulent attempt to avoid creditors' claims.

Gives peace of mind

The statutory compensation scheme under the Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991 provides investor protection.

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SMOOTH SUCCESSION PLANNING CASE STUDY 1: DAVID

David is the sole owner of an IT data security business worth US$10 million, with huge potential for growth. He has put most of his capital into his business and owns some US stocks and worldwide exchange-traded funds (ETFs). He has two sons – the eldest is studying a masters in IT and the youngest is doing an engineering degree. David has a wife, Joanne.

ISSUES

› **Probate delay** – David's assets, upon his death, will be frozen and subject to probate. This could take years to sort out which will significantly affect Joanne and her sons.

› **Lack of succession planning** – If David dies now, both his company and his family will suffer greatly because most of David's money is tied-up in his business. Although the business is profitable and has huge potential, Joanne does not know how to run it and she will also be left with limited liquidity to maintain their children's education and living standards.

HOW PPLI HELPS

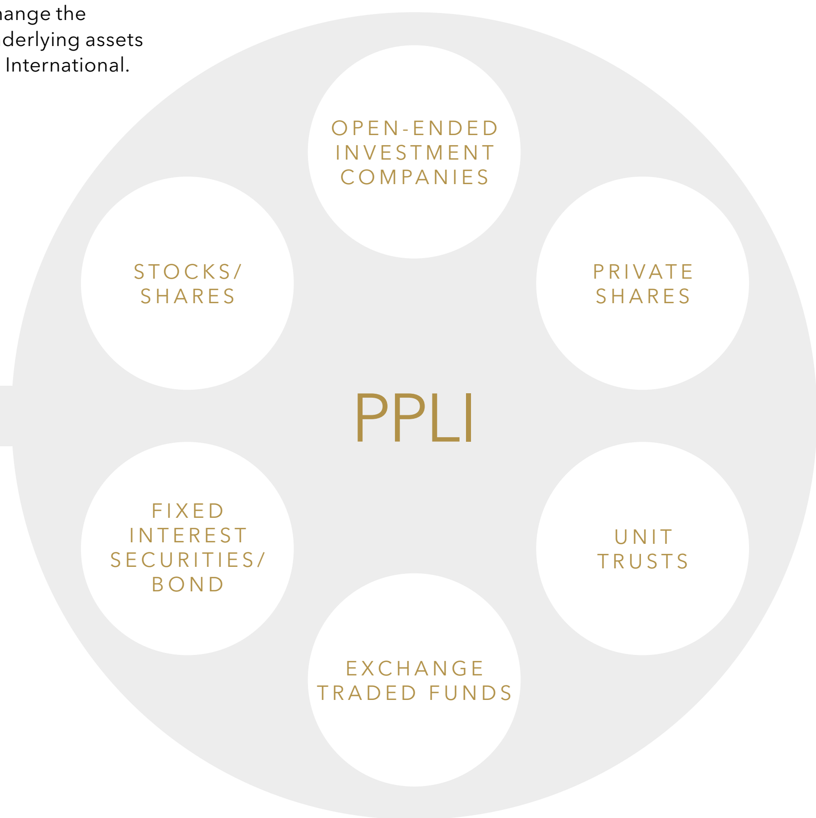
› **Growing in value** – David can transfer his US stocks and other ETFs to a PPLI as 'premium in kind'. By changing the ownership of the underlying assets to Utmost International, his investments can continue to grow in value by optimising tax deferral and reducing estate duties in certain jurisdictions.

› **Quicker access to proceeds** – David can nominate Joanne as the beneficiary of his PPLI if he dies. This means there is no need for a grant of probate of every asset held in each jurisdiction. The policy proceeds can be swiftly passed on to Joanne to avoid any probate delay.

› **Smoothing succession planning**– Alternatively, David may consider using a variable universal life solution to set up a key person insurance or buy-sell agreement, if he finds a business partner in the future, for business continuation and succession planning purposes. Please speak to Utmost International for further information.

EXAMPLES OF ASSETS THAT CAN BE TRANSFERRED TO AN UTMOST INTERNATIONAL PPLI

Using a PPLI to link with different types of assets in one policy will change the ownership and title of the underlying assets from an individual to Utmost International.



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OPTIMISING TAX-EFFICIENCY
CASE STUDY 2: JOHN AND JENNY

John is a British expat who married Jenny, born in Singapore, and both now live in Singapore. They plan to return to the UK in the future. They individually own a range of stocks via accounts with multiple banks, asset managers and securities firms in the UK, US and Asia.

ISSUES

› **Future wealth growth** – when they leave Singapore, taxes such as income tax and capital gains tax on their direct investments could erode their wealth. John and Jenny's individual portfolios may not grow in value as much nor as quickly.

› **Exposure to estate duties** – their assets are subject to UK inheritance tax (IHT) when either one of them dies. For John, IHT applies to his worldwide wealth and for Jenny, it applies to wealth she has built up in countries which have IHT or similar, such as the UK and US.

› **Common Reporting Standard (CRS) challenge** – John and Jenny hold various stocks and so they have concerns over the complex and individual reporting of capital gains, disposal and dividends of each stock every year.

HOW PPLI HELPS

› **Benefitting from the power of tax deferral** – PPLI is a tax-efficient tool that allows investments to grow virtually tax-free by changing the ownership of the underlying assets to Utmost International rather than holding them directly. By delaying the payment of taxes on any earnings from the investments in the future, their investment returns can compound over time even when John and Jenny become tax residents in the UK, where UK domiciles are immediately taxed on overseas wealth and non-domiciles after a period of time.

› **Reducing IHT exposure** – John, as a UK domicile, can reduce his liability to UK IHT by transferring the ownership of the assets into the policy and using a suitable trust arrangement. If Jenny (as a non-domicile of the UK) uses a PPLI, she has effectively relinquished all legal and beneficial rights to the assets, meaning that upon her death there will be no estate duty in the US on her US wealth or IHT in the UK on her UK wealth.

› **Simplifying CRS** – John and Jenny can use a PPLI to consolidate all their existing stocks in one place. By changing the ownership of the underlying assets, Utmost International only needs to report on one asset - the policy itself. It also reduces the possibility of a data breach by any institutions which hold John and Jenny's international wealth across multiple jurisdictions.

Holding assets across the world requires multiple reporting by the corresponding financial institutions.
Asset consolidation via a PPLI into one line of reporting helps reduce the possibility of data breaches.

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WHY PPLI FOR WEALTH PROFESSIONALS?

› Strengthens client relationships by offering a different proposition
› Provides an alternative solution for asset-rich clients with different needs
› Can retain and grow assets under management

All case studies detailed are fictional and used purely to illustrate possible real life scenarios.

This sales aid is based on Utmost International's understanding of the law, regulation and taxation practice of the UK and Isle of Man as at January 2021, which may change in the future. No liability can be accepted for any personal tax consequences as a result of future legislative, regulatory or tax changes. Investors should seek professional advice regarding their own tax circumstances.

The value of investments can fall as well as rise and investors may not get back what they put in.

Full details of the products available can be found in the product literature and Policy Terms which are available from Utmost International.

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www.utmostinternational.com

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