

WEALTH PLANNING FOR GLOBAL FAMILIES

INSURANCE BONDS

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International insurance bonds are becoming a vehicle of choice for global families wishing to manage their wealth with a solution that can move with them around the world as their life changes. In this brief article, we discuss the reasons why global families need to plan for their future and why insurance bonds are a useful tool for this type of client.

As transport and communication technologies have developed, so too have the opportunities to create wealth on a global basis.

Some of the world's key cities; London, New York, Mumbai, Singapore, and Hong Kong, for example, were partly developed by globally mobile families setting up new businesses and creating trade. Globalisation now means many wealthy families operate on a worldwide basis. If we take London as a specific example, here the rise of the finance industry has attracted individuals from many different countries. They plan to enjoy some of their life in London, educate their children, and potentially return to their home country, with their acquired wealth.

Whilst many industries can organise international trade easily, global families have several considerations when locating themselves and making a new country their home. Aside from lifestyle and educational needs, taxation and security will be important considerations. Families want to control their wealth in an efficient and

structured environment to ensure that wealth is passed on in accordance with their wishes. The issue is that many countries have very different, and often very complex, tax rules and laws governing succession. Moving from one jurisdiction to another is not something that can be taken lightly, though sometimes a rapid change of jurisdiction may be required.

With families becoming more mobile, advisers have developed solutions based around trust and fiduciary structures. As Governments seek new revenue streams, global agreements such as Base Erosion of Profits (BEPs) have been introduced, meaning that many traditional structures are no longer as efficient in terms of providing clients with control over their wealth and succession plans.

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Insurance bonds have similarities with trust and fiduciary structures and useful hybrids can be created using the three solutions.

Typically, bonds are used to hold a portfolio of assets, usually discretionally managed by the families' banks of choice.

The key differentiators to traditional structures that are encouraging advisers of Ultra High Net Worth (UHNW) families to consider insurance bonds include:

- › Compliant locally and in many cases can be adapted to comply in other jurisdictions. Insurance bonds comply with specific statute based tax laws in the country of the provider but can be adapted to meet requirements in a new jurisdiction
- › Insurance bonds are globally recognised (and providers are well regulated) so are used by a wide section of society to provide certainty and financial security for themselves and their families
- › Issuers are based in onshore jurisdictions (i.e. jurisdictions based in the EU and Crown Dependencies) which have the protection of international treaties, maintaining a high level of protection for policyholders
- › Succession planning across multiple jurisdictions – insurance bonds are contractual and in civil law jurisdictions named beneficiaries can be appointed and removed by the bond owner at any time. Or, in common law jurisdictions the bond

can be placed in various trusts. Proceeds paid out are then outside of the estate of the deceased bond owner.

- › Insurance bonds can fit within the existing wealth management set-up and families can still benefit from their existing set up and manager selection
- › Legal separation of ownership of assets - owners of the insurance bond own the rights to the value of the policy, the underlying assets are owned by the insurer.

CONCLUSION

As families become more mobile on a global basis, they need up to date innovative solutions that they can integrate into their existing wealth planning. Insurance bonds have been available for over fifty years and are recognised as a compliant and acceptable form of planning for UHNW families.

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