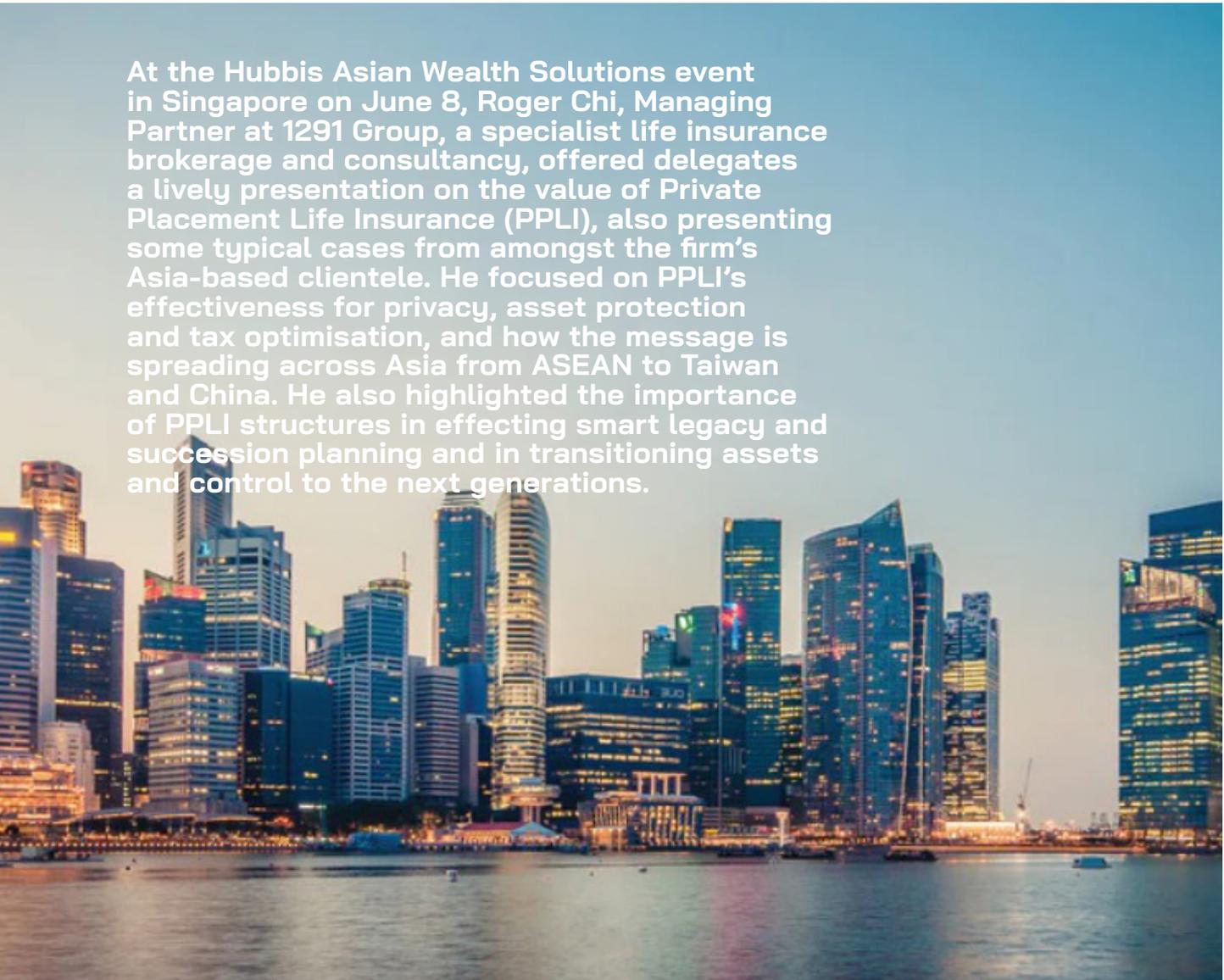


The Benefits of PPLI for Private Clients in Asia

At the Hubbis Asian Wealth Solutions event in Singapore on June 8, Roger Chi, Managing Partner at 1291 Group, a specialist life insurance brokerage and consultancy, offered delegates a lively presentation on the value of Private Placement Life Insurance (PPLI), also presenting some typical cases from amongst the firm's Asia-based clientele. He focused on PPLI's effectiveness for privacy, asset protection and tax optimisation, and how the message is spreading across Asia from ASEAN to Taiwan and China. He also highlighted the importance of PPLI structures in effecting smart legacy and succession planning and in transitioning assets and control to the next generations.



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Roger Chi
1291 Group

What is PPLI?

“It is a flexible asset holding structure. The underlying the vehicle is a life insurance policy. But the investment that you put in is private placement, in the form of your and your family’s investments. The assets can vary from operating businesses to bank accounts, to mainstream investments, property, digital assets, private jets, yachts, and so forth. You then transfer it to one of the 45 leading insurance companies we work with in 15 jurisdictions, and in return you get back a life insurance policy.”

He explained that the UBO (Ultimate Beneficial Owner) essentially becomes not the originator but the insurance entity, while the client is entirely CRS and other regulatory compliant. “All that is required is for the clients to report the cash surrender value of the life insurance policy, and not any of the underlying assets, thereby very much simplifying the reporting at the end of the year to your home tax jurisdictions.”

Armed with an excellent and easy to digest slide presentation, he explained 1291 likes to summarise the benefits under the acronym PATEC.

This stands for Privacy protection through a compliant structure; Asset protection by law; Tax Savings with simplified reporting; Estate planning; and Cash, providing sufficient liquidity to take care of the family, business, and taxes.

Roger noted how life insurance is legally ring-fenced away from creditors, and one of the key tax benefits is any capital gains tax and any dividends that come back into the policy are legally tax deferred.

“This means you can have that compounding of gains for underlying investments in the life insurance policy,” he reported. “And the cash component is a significant life cover underneath the PPLI structure where the premium are the client’s assets.

He also explained why he was there presenting to the private

bankers, EAMs and others in the wealth industry. “We believe PPLI helps you become that ultra-high touch banker, the trusted advisor, because you’re not just helping clients on their investments but helping them with their estate and legacy structuring, providing a structure that elevates privacy, asset protection, tax planning and next generation planning. And you do not lose AUM, in fact it becomes stickier, and we have research that shows that on average the banks tend to add about five years in terms of client relationships by putting their clients into a PPLI. Moreover, the PPLI consolidates all types of non-bankable assets. And all with hugely simplified reporting.”

He also explained that PPLI is a highly robust offshore holding structure compared to others. “All in all, these are the reasons why

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- P** Privacy protection through a compliant structure
- A** Asset protection by law*
- T** Tax Savings: higher net returns and simplified reporting
- E** Estate planning: separate from ordinary estate
- C** Cash: ensure sufficient liquidity to take care of family, business, taxes.

findings from NMG Insurance show that the market is shifting to PPLI from traditional UL," he reported.

Roger went into more detail on some optionality around PPLI, explaining for example that they are also able to combine different holdings structures such as trusts, offshore companies, and VCCs. "It's a complex world these days, and you can't just use these in isolation anymore, so combination structures are very common indeed," he reported. "For example, we might combine PPLI with PICs, with Trusts or perhaps more recently with Singapore VCCs, adding in further advantages, including additional layers of asset protection, and additional layers of privacy."

He said they are working on many combination structures across markets such as China, Taiwan, Indonesia, Thailand and other Asian jurisdictions.

"We have a lot of different Chinese clients who are coming to us asking for privacy and asset protection primarily," he reported. "And then what makes them sign on the dotted line are the tax optimisation and tax benefits." He then added in some detail on the specific types of advantages for Chinese clients, as well as clients from Taiwan, Indonesia and Thailand, as local and global regulation evolves and pressure on compliance intensifies.

He drew the presentation towards a close remarking that PPLI is also useful for pre-immigration planning. "PPLI is the ideal pre-immigration tool for clients who are going to (or returning to) Australia, UK, US and Europe and it is the ideal tool if you have any US beneficiaries in your structures."

"There are many real and valuable benefits of PPLI for your clients," he told delegates on concluding his talk. "We have eight from our team here today (over 25 in Asia) and our doors are always open. This is an excellent tool for your private clients, and an excellent solution that will help enhance your relationships and help you become a trusted advisor to your clients." ■

About 1291 Group

1291 Group, a firm that began life nearly in Zurich 22 years ago, well before the era of imperative - demand for tax compliant life insurance solutions. 1291 was founded on the premise that the market needed a broker consisting not just of entrepreneurial business -generators and client people, but with the skills built up as tax lawyers and tax advisors. Like a traditional insurance broker, 1291 is able to offer the traditional protection policies (universal life, whole life, savings plan), however what really sets 1291 apart from its competitors is its expertise in wealth planning and structuring and its competencies around offering PPLI and its closely related cousin, Variable Universal Life (VUL).

And 1291 has been proven right as since inception, they have been working assiduously and successfully to expand awareness of how the right life insurance solution can be a powerful pre-emptive or remedial tool to help reduce taxation in a variety of areas, such as capital gains, ongoing income, or estate transition, as well as helping facilitate liquidity in the event of a death and enabling proactive estate and succession planning, while all keeping well within the ever-tightening regulatory parameters.

The 1291 business really took off in the highly regulated markets in Europe and the US some years ago, when FATCA and CRS arrived, since when the firm has been on an especially rapid expansion, including into the Asian markets, where 1291 is an increasingly well-known specialist in the wealth planning field. 1291 is especially focused on PPLI, and is very actively boosting its penetration of Asia, where there is rising demand.

1291 is based in Zurich with 14 offices around the world, is today the number one broker of PPLI and VUL and providing tax compliant solutions in over 45 different countries. "Out of the 40 partners globally, 22 are tax lawyers, we also have former wealth planners from Julius Baer, UBS, Citibank, and DBS, former trustees, insurance specialist and people from the family office space, Roger told delegates. "Its very holistic planning that we do and many Private banks and EAMs, see 1291 not as insurance brokers but as variable cost wealth planners"