

The Value of Life Insurance Solutions as a Key Element of Smart Estate & Legacy Planning

A lively and very focused panel discussion at the Hubbis Wealth Solutions Forum in Hong Kong on October 18 saw a tag team of life insurance heavyweights deliver some serious punches on behalf of the vital role that life insurance can play in robust, well-devised succession and wealth planning, especially in an increasingly uncertain world. They highlighted how family dynamics and life events can evolve, and explained that wealthy individuals and families turn to well-established life solutions – especially today, PPLI - that are flexible and can support their need for mobility. They reminded delegates that advisors need to stress the importance of smart thinking and early planning, to obtain the best suite of risk mitigation, liquidity management and portability, as well as key tax, compliance, and reporting advantages ahead. And they explained how the wealth management community can work diligently and closely with the specialist life brokerages, and also with the lawyers, accountants and fiduciary services experts to create a refined and entirely suitable outcome.

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Life insurance is an integral element of any sensible, well-articulated legacy and planning. The plan does not start with the solution, it incorporates the appropriate policy structure to cater to the specific needs of the individual and family. Liquidity at a time of family stress and uncertainty is incredibly valuable, as is the simplicity around tax treatments and portability.

The life insurance providers and the specialist brokerages of HNW and UHNW solutions work closely with the wealth management industry and there are appropriate commission-sharing arrangements, naturally. But the wealth management specialists themselves need to understand the key elements of the different solutions, whether PPLI, Whole of Life, Universal Life, Variable or Indexed UL, and so forth.

The most critical element of promoting life policies to private clients is to fully understand their situations and their needs and expectations. The selling process should not start with the product, but the wealth manager should (for compliance reasons as well) pass the baton to the specialist brokerages with a word of guidance as to the clients' actual situations.

Life policies are originated in different jurisdictions, for example, there has been rising interest in policies deriving from Singapore and Bermuda, and each market has somewhat different regulations. Depending on the product chosen, it is then important to select the appropriate jurisdiction of origination (wherever the client is and wherever the policy is actually sold), but the fine-tuning is, again, best left to the real experts.

Chair:

» **Michael Stanhope**

Chief Executive Officer & Founder
Hubbis

Panel Members:

» **Yannick Haeni**

Chief Executive Officer, 1291 Group Asia
1291 Group

» **Lee Sleight**

Head of Business Development, Asia
Lombard International Assurance

» **Jeremy Young**

Chief Commercial Officer
Transamerica Life (Bermuda)



The 'beauty' of the evolving world of advisory is that client is at the centre now and not simply being sold a product that the wealth managers or producers want them to buy. All the different parties in the process, including lawyers,

fiduciaries as well as bankers and insurance specialists, need to work together in harmony to ensure the optimal solutions.

There are several key products, but Private Placement Life Insurance,



or PPLI, is growing in prominence in Asia as it can greatly assist in enhancing current wealth planning strategies, working ideally alongside existing trust structures for offshore companies, futureproofing those structures as well as the flexibility it offers in holdings representing a wide variety of asset classes.

PPLI is in essence a fairly straightforward solution consisting of an insurance contract generally subscribed by individuals as the policyholder/s (usually the husband and/or wife), linked to the life or lives assured (usually the policyholders), with clearly nominated beneficiaries (i.e. the children or other legal heirs) who

then receive the policy proceeds when the policy pays out on death.

It is an established product and has been for several decades worldwide, especially in the US and Europe, and now increasingly so in Asia. In France, for example, unit-linked life insurance (another term used for PPLI) is widely recognised as a key tool to support wealth planning for high-net-worth individuals.

In brief, PPLI has many advantages, especially portability, succession planning, and tax efficiency.

As to portability, UHNW families are becoming increasingly mobile. International recognition in common and civil law jurisdictions

ensures PPLI gives these types of highly mobile HNW and UHNW global families peace of mind that they may use the solution to solve planning challenges across borders or relocate without the need to collapse an existing structure, but only with minimal adjustments.

The second advantage is succession planning. Even when planned well, a probate process can be lengthy, and the international nature of UHNWI clients often adds to this complication. Utilising a PPLI solution, the payout for assets triggered by the death of the life assured is made directly and swiftly to named beneficiaries.



And then there are the fiscal advantages that PPLI offers. In most countries, individuals who hold assets directly are subject to immediate taxation, but generally, PPLI provides tax deferral, in other words, taxes are not due on gains or income until withdrawals are made from the policy, allowing assets to be bought and sold with gains reinvested inside the policy.

Additionally, in some countries, this taxation rate reduces over

time, depending on how long the policy has been running. For example, after five years and then again after eight years in Portugal, or completely after 10 years in Australia.

PPLI also offers enhanced benefits upon relocation. Where the policyholders move from one country to another, international recognition means that the advantages can be swapped for similar advantages in the

new country, without the need to collapse the structure or to restructure. And there are other fiscal and reporting advantages.

There are immense opportunities for the propagation of life solutions across Asia as private wealth continues to surge and as the 'professionalisation' of private clients' approaches to investing and legacy & succession planning both evolve apace. ■

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