

# Wealth Preservation and Wealth Transfer – The Role of Life Insurance Solutions

*David Denton, Head of International Technical Sales for Old Mutual International, considers insurance solutions ideal for managing multi-jurisdictional assets, for wealth preservation and for the ever-complex needs for wealth transfer in an increasingly regulated world.*

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**D**ENTON GAVE HIS presentation at the Hubbis Independent Wealth Management Forum, advising the assembled advisers and intermediaries that life insurance as an investment is not only a financial solution but a structuring solution that will help Asia’s wealthy families preserve and transmit their wealth to their younger family members. “We have some history behind us,” said Denton, “as we were a founding member of the London Stock Exchange, Quilters has almost a 250-year pedigree to bring to the table and provide the right solutions for your clients. We have nearly one million customers in over 100 countries, so our breadth of experi-



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ence is remarkable. As we all know that the only certainties we all face are death and taxes, we must prepare sensibly for the future.”

### **Life insurance...as an investment**

Life insurance as an investment provides two key benefits Denton explained. “For some people, it is tax advantages and for others soft benefits in terms of ownership that help wealth transfer.”

Digging further down into life insurance as an investment, Denton explained that is different from a traditional trading platform through which the clients themselves are the actual beneficial owner of the assets that sit on that platform. With the insurance as an investment platform, the owner, the private client, the company or the trustee own a set of rights that are directly related to the assets held by the life company within a life insurance bond.

“Accordingly,” said Denton, “there is a legal detachment at that point in time for the underlying assets and the policyholder. In many countries around the world,

we will find that achieves as a minimum deferral of taxation until the policy is encashed, and for some people it can reduce their overall liabilities.”

### **Not restricting the client’s flexibility**

Denton clarified that an important feature of the structure is that the life insurance provider is not there to reduce choice in terms of the way the client will invest. “Private placement life insurance (PPLI),” he noted, “has been very popular for many years in Europe, is increasing used in Latin America and expanding its presence in Asia. It is not about constraining the investment choice; it is about the opportunity to give the client what they require to manage risk and reward but to contain that wealth within a very simple structure. It fits the trend of clients looking for a personal service but with a commoditised solution.”

### **PPLI with life cover**

Another alternative to consider in a similar platform that can own a wide range of investments is Vari-

able Universal Life (VUL). “It represents the same legal construct but with an additional layer of life cover that the client requires and which can be in addition to the underlying assets,” Denton explained. “And within both PPLI and VUL we can include private company shares, so in some instances, these can be highly personalised to fit with clients’ explicit requirements, including the need to own property, both residential and commercial, within an intermediate company structure”

### **Unique and tailored outcomes**

Denton says that products like this are reasonably simple, been known to the markets for many years, and have unique outcomes directly related to the client’s individual situation.

He then explained some of the functional issues. For example, the client owns the policy with the underlying assets held by the life insurance company which in turn can be held via multiple sub-custodians. “For example, we at Old Mutual International work

with more than 100 custodians, so if the client prefers to retain a custodian that's possible, as can in many instances an existing investment manager."

Denton also highlighted how this structure allows the confidential purchase, holding and sale of holdings without identifying the assets as those attributed to the policyholder. "Imagine a sophisticated client with many direct holdings within their portfolios on a conventional trading platform, and each requiring individual disclosure for the Common Reporting Standard (CRS), but through a life insurance structure, all holdings are consolidated in to one line of reporting, and that reduces the number of reports, the chance for duplication

in reporting, and reduce the likelihood of data breaches."

### **Life insurance well seeded in Asia's soil**

Additionally, Denton noted how life insurance has become well established in markets such as Hong Kong and in Singapore as a great opportunity in terms of wealth transfer through policy nominations and trusts.

"Personal tax might not be an issue for those clients local to those markets," he remarked, "but wealth owned internationally has its own challenges. For example, Hong Kong might have abolished estate duty over a decade ago but the fact is that owning wealth in many other countries around the world will eventu-

ally require a liability to be paid for the loved ones. Life insurance provides not just a way of funding that liability, but also creates a structure whereby the client does not directly own the underlying asset, only the policy itself."

Denton closed by highlighting how many governments increasingly around the world are taking to task those people who are using corporate and trust structures with the apparent aim to avoid taxes. "Life insurance is traditional," he said, "it is old fashioned, it has many benefits that many governments simply respect, and it is on that basis that we offer this product widely to clients in those markets where we know the structure will bring a long-term and lasting positive effects." ■

