1291 GROUP

PRIVATE WEALTH SOLUTIONS

*– from our family to yours*

# Private Placement Life Insurance (PPLI)
## Introduction & Case Studies

HUBBIS Wealth Solutions Forum - Hong Kong
18 October 2023

# 1291 Group Profile

*We are the Market Leader*

## 2000

In business since Year 2000

## # 1

Leading PPLI/VUL broker

## 14

Physical presence in 14 countries

## 36

Licensed in 36 countries

## 45

Tax compliant solutions for 45 countries

## 48

Cooperation with 48 insurers in 15 jurisdictions

# Private Placement Life Insurance (PPLI)

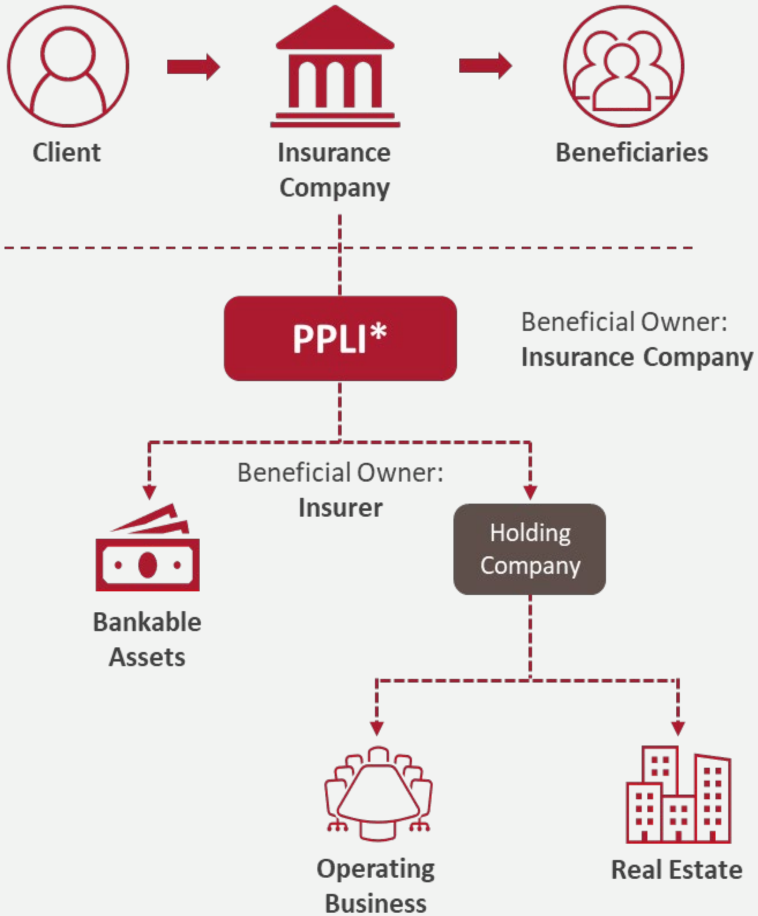
## An introduction

# PPLI

*Overview*

## Key Facts:

| | |
|---|---|
| **Legal & Beneficial Ownership** | Insurance Company |
| **Policyholder** | Natural or Legal Person |
| **Insured Person** | One or several persons at the same time possible |
| **Type of Assets** | See illustration |
| **Investment** | Self-Managed, Bank or AM |
| **Custodian Bank** | Client's choice |
| **Succession** | In case of death of the Insured Person: transfer of cash and/or assets within 30 days to the designated beneficiary |
| **Potential Tax Benefits*** | • Tax-free growth<br>• No CFC issues<br>• Tax-free distributions upon death (depending on residence of beneficiary)<br>• Withholding Tax Reduction |



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# 5 key needs all wealthy families have in common

| | |
|---|---|
| **P** | **Privacy protection** through a compliant structure |
| **A** | **Asset protection** by law |
| **T** | **Tax Savings** by higher net returns, lower **Estate Tax**, simplified **Tax Reporting** |
| **E** | **Estate planning** by separating assets from the ordinary estate |
| **C** | **Cash access** via leverage and **Life cover flexibility** to surrender |

## Case Study

**Planning with US Beneficiaries**

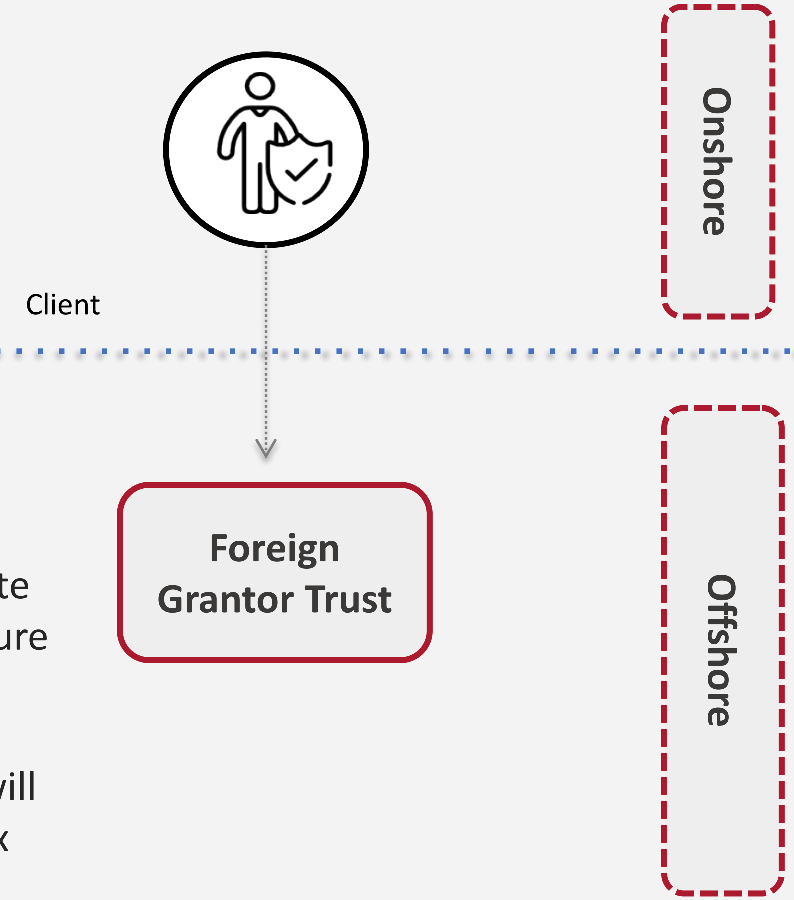
# Planning for U.S. Beneficiaries

- A wealthy Asian family with children living in the U.S.
- Family assets are in Europe, Asia and the U.S. (which include: bank accounts, real estate, investments in USD – including U.S. securities).

Combining traditional planning with PPLI:

- Foreign Grantor Trust
- Private Placement Life Insurance (PPLI)

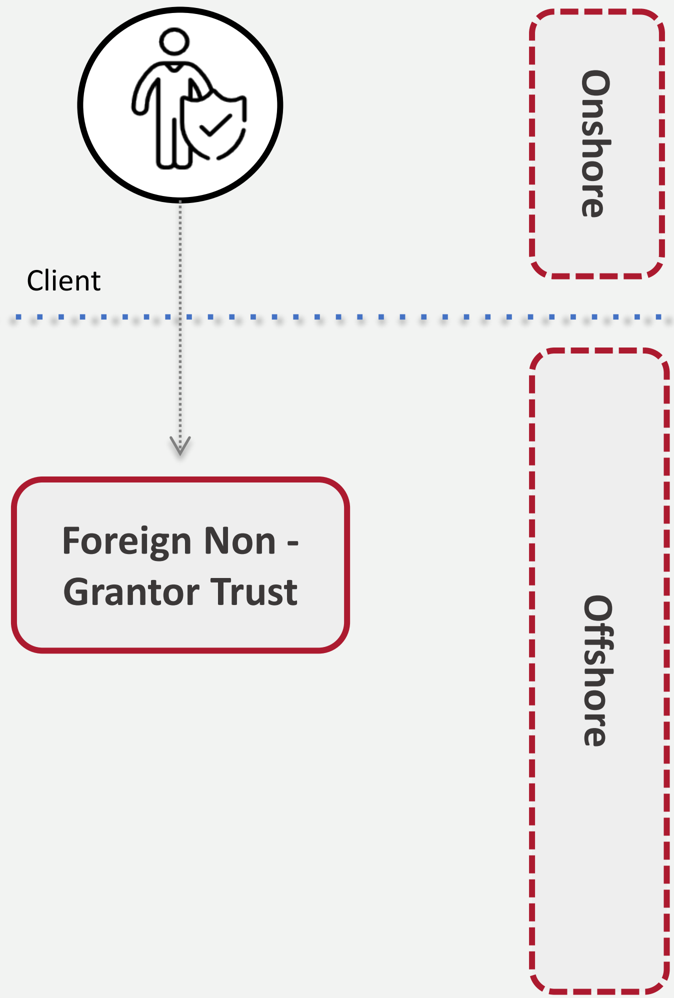
# Foreign Grantor Trust (FGT) – the traditional solution




- Client sets up a **Foreign Grantor Trust.**
- After client's death, assets won't move into U.S. estate and therefore won't create any U.S. estate tax exposure for future generations.
- The Trust may continue after client's passing, but it will be treated as a Foreign Non-Grantor Trust for U.S. tax purposes (for any U.S. beneficiaries).

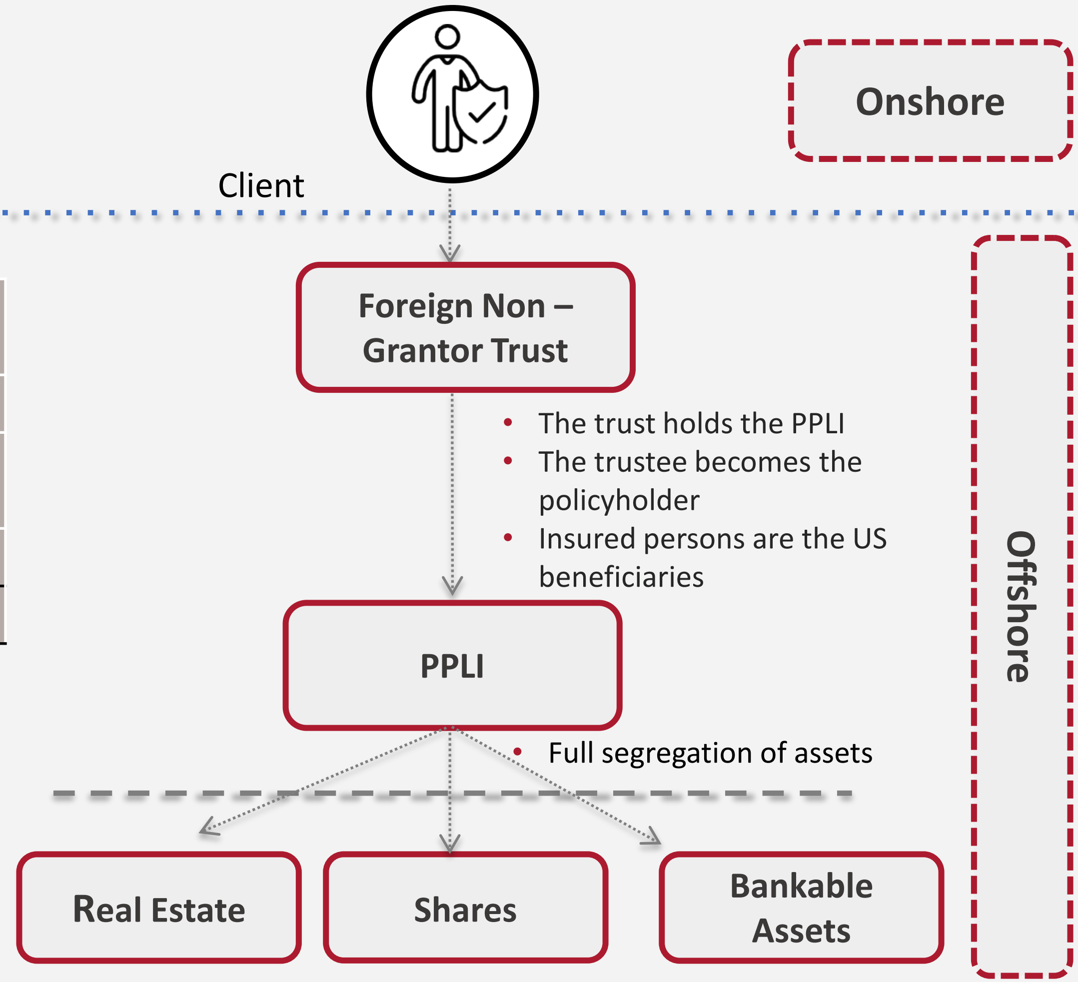
# Challenges after the death of the Grantor

- Holding the assets through a **Foreign Non-Grantor Trust** creates exposure to U.S. income and capital gains tax.
- Net income has to be distributed every year to a beneficiary or a standby trust, otherwise it becomes undistributed net income and will fall under U.S. throwback rules.
- U.S. controlled foreign corporation (CFC) and passive foreign investment company (PFIC) rules will apply on underlying assets.
- Trustees are obliged to meet U.S. reporting standards.



# Advantages of setting up PPLI at FGT stage

| | Without PPLI | With PPLI |
|---|---|---|
| **Investable asset** | $100M | $100M |
| **5% annual return assumed** | $5M | $5M |
| **30% U.S. tax liability[1]** | $1.5M | $0 |
| PPLI enables the client to save $1.5M every year! | | |




## PPLI Benefits

- Asset protection
- Tax Preferred Growth
- Simplified Reporting & Flexible Investment Strategies
- Simplified Estate Planning and Additional Cash

[1]assume 30% blended tax rate for income tax, subject to situs of assets

## Case Study

**Moving to Australia**

# Situation & Possible Challenges

*Emigrating to Australia*

## Overview:

Dr. Y resides in HK with wife and two children. He plans to emigrate to Australia where his children will attend high school.

He currently has an investment portfolio of $60,000,000 in a Private Bank, with a return of approximately 6% p.a.

## Challenges:

**Tax on Worldwide Income and Gains:** He is aware that upon emigrating to Australia, he will be required to pay income tax on his worldwide income and gains upon sale of assets.

**Tax Rates:** Variable. Income (from all sources) in excess of AUD 180,000 p.a. attracts a rate of up to 47%.

**Tax Residency:** New two stage residency tests are to be implemented, meaning that spending as little as 45 days per year in Australia can result in tax residency for the current tax year.

# Proposal

*Using PPLI to Hold Offshore Investment Account*

The PPLI policy holds an offshore investment account. This allows income and capital gains to grow on a tax defered basis, after 10 years withdrawls in Australia are tax free. During this time the client can have full control over the investments held in the account.

## Potential PPLI Tax benefits

Tax-deferred growth

Capital gain tax and income tax on dividends are deferred

After 10 years, tax free withdrawals

Tax free distributions upon death (no IHT)

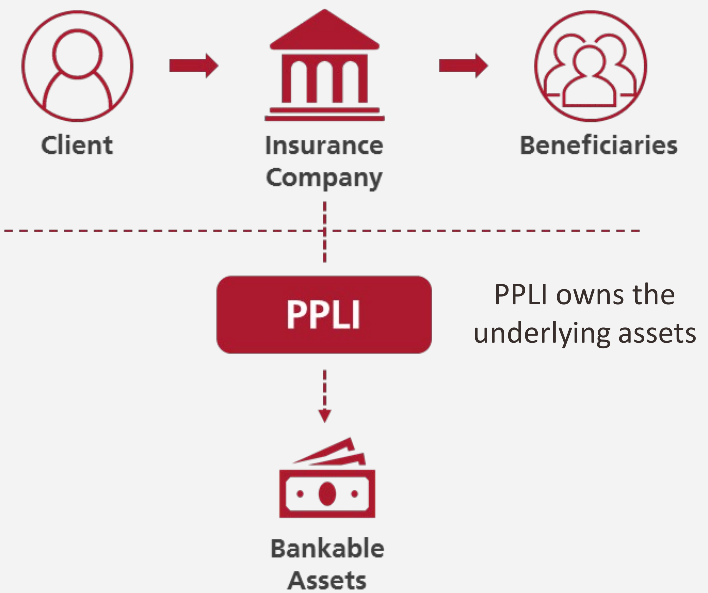
No CFC issues

## PPLI Other Benefits

Client can control the investment account through a Limited Power of Attorney (LPOA) or via an Asset Manager

Solid asset protection and Simplified reporting

Efficient and simple succession planning tool



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# The Power of Planning

*Financial Benefit: Australian Tax*

Family Moving to Australia

| | Without PPLI | With PPLI |
|---|---|---|
| **Investable Assets** | $60,000,000 | $60,000,000 |
| **Cumulative Net Return after 10 years** | **$82,055,270** | **$99,658,660** |
| **Net Financial Benefit** | | **+$17,603,390** |

*Assume 45%+2% income tax

**When the life assured pass away there is a tax-free death benefit of 1% (of NAV) or more if additional life cover is chosen

# Thank you for your attention.

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