



[www.switzerland-family-office.com/life-insurance.html](http://www.switzerland-family-office.com/life-insurance.html)

## **Life Insurance solutions**

**A family office in Switzerland is well-equipped to help you put a life insurance solution in place. Life insurance solutions are increasingly used as a structure for wealth protection, tax and estate planning, and/or as a privacy structure.**

### **Private placement life insurance**

There is a huge variety of life insurance products on offer around the world today. Some of these international life insurance solutions are known as private placement life insurance. With this product, investment portfolios are kept (ringfenced) in an insurance instead of in a bank account. Normally, this sort of life insurance product is set up as unit-linked insurance, which means that the proceeds of the life insurance that are ultimately to be paid out depend on the performance of the securities kept in the life insurance policy. This kind of life insurance policy in particular is regularly used by family offices in order to structure the investment portfolios of (U)HNWIs.

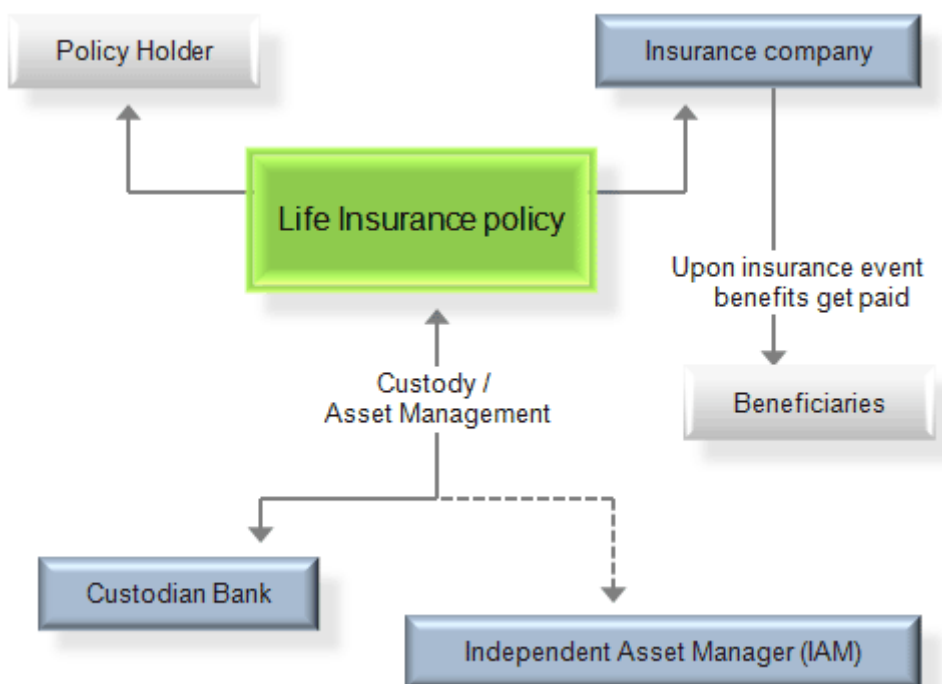
### **How does a life insurance solution work?**

- **Before** you take out a life insurance policy, your investable assets are held in an investment portfolio with a bank, and the investments' returns are taxed annually. When you die, these assets form part of your estate and transfer to your heirs in accordance with the applicable inheritance laws.
- **After** taking out a life insurance policy and the transfer of your investment portfolio (or payment of the premium in cash) to the life insurance company, you become a policyholder. The life insurance company opens a dedicated account for your policy with a private bank. Jointly with the life insurance company and your family office, you select a risk profile at the private bank, and the bank manages that account on behalf of the insurance company; alternatively, you appoint the multi-family office as the asset manager who will be responsible for all investment decisions. From that moment on you will only be indirectly entitled to the performance of the investments as a beneficiary of the insurance policy as the life insurance company has now become the legal owner of the investable assets. The investable assets are no longer considered your own assets as a result of the transfer and you will only have to pay income tax on the proceeds of the policy (i.e. the investments) when the life insurance pays out to you (i.e. tax payment is deferred)\*. In a considerable number of countries (mostly in Europe) there are also other tax benefits, such as an exemption of wealth tax and lower income tax rates on pay-outs made during your lifetime, and

no inheritance tax is due on the value of the policy at death.

In order to make the life insurance policy financially attractive, the death cover of the insurance in most private placement life insurance policies is reduced to the absolute legal minimum, which results in relatively low product costs. The private bank used by the insurance company to deposit the assets is often the same bank that held your investment portfolio. In most cases, the portfolio management department of that bank will manage the investments as of that moment, or the family office will act as the asset manager.

\* The tax consequences of a life insurance are different for every country.



### **Life insurance offers strong and compliant wealth protection**

If the life insurance solution is set up correctly (meaning that the policy is set up tax compliantly and not simply used as a wrapper), your investable assets will be completely separated from your other assets, resulting in solid asset protection. Because the life insurance company is registered as the owner of your investable assets and as the ultimate beneficial owner, your privacy is also fully guaranteed. The contributed assets are not affected should the insurance company or the custodian bank go bankrupt, as they are separated from the risk sphere of the insurer and the bank\*\*.

### **Not only a solution for investment portfolios**

It is not only possible to put investment portfolios into life insurance solutions: real estate, operational companies and any other valuable assets can also be held in life insurance solutions. The major providers of this type of life insurance services can be found in Liechtenstein, Ireland, Luxembourg and Singapore. This solution is not provided out of

Switzerland, but a family office will of course help you to put the structure in place as one of the many multi-family office services it provides.

\*\* Except for cash positions kept in the life insurance policy.