Superior Tax Efficient Investment Planning

The Product:
Private Placement Life Insurance

U.S. taxpayers can achieve greater net-after tax returns and superior asset protection for their domestic or international investment portfolios by using a tax planning strategy utilizing private placement life insurance.

A summary of the benefits is as follows;

- Taxable ordinary income and short-term capital gains (taxed at 39,6% federal top-margin tax rate) now wholly tax exempted.
- Investment portfolio income now compounds tax-free annually with no accumulation tax.
- Prevents IRS tax audits on investment portfolio income since there is neither any income tax nor any reporting due on the investment portfolio income.
- Exposure to a variety of international investment managers.

The Taxes

There are several taxes impacting your net investment returns. Short term capital gains are subject to Federal income tax (2017-top margin rate at 39,6%) and long term capital gains are taxed at 20%.

Your State of residence apply its own income and capital gains taxes on top of the federal taxes, with a few exemptions. State taxes range from 0-13,3%.
In addition, you may owe a 3.8% Medicare tax under Net Investment Income Tax (NIIT) regime as part of the Affordable Care Act or "Obama-Care".

The United States' average top marginal capital gains tax rate ranks sixth in the OECD at a rate of 28.7 percent.
California is in top with 37,1% for long term gains (20% federal + 13,3% State + 3,8% NIIT).

The Client:
U.S. Taxpayer

U.S. citizens and Green Card holders (regardless of their residence);

- Subject to U.S. federal income taxation on worldwide income.
- Subject to U.S. federal estate tax.
- Potentially subject to filing multiple reporting returns (i.e., FinCen 114 (FBAR), Form 8938 (FATCA), Form 3520, Form 3520-A, Form 8621 (PFICs) and others).
- Must file returns each year and report in U.S. dollars; onerous penalties apply for failure to file an income tax return or a reporting return.

Passive Foreign Investment Companies (PFICs)

•Severe restrictions on investments due to unfavorable taxation.

•Complex reporting requiring expensive support by competent tax attorney or CPA

Trusted managers and advisers

•Difficulty in keeping your trusted investment manager and adviser who may not be SEC regulated.

Transparency and regulatory complexity

•Risk of unintended non-compliance

The private placement life insurance strategy is not only compliantly tax exempted, but also relieves the taxpayer of almost all the reporting obligations listed above and thus diminishing the likelihood of IRS audit.

In other words, US investors can virtually double their net after-tax return on investments. How? By the compliant elimination of US Income, Estate and Gift taxes on the investment portfolio income with minimal or no reporting by utilizing private placement life insurance.

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Comparison of reporting obligations:

U.S. reporting duties in a direct investment	U.S. reporting duties with a U.S. compliant life insurance policy
Form 8621 *re PFICS (e.g., many non-U.S. mutual funds)*	n/a
Form 5471 *re certain controlled foreign corporations*	n/a
Form 8865 *re foreign partnerships (e.g., some PE or Hedge funds*	n/a
Form 1120f *on behalf of foreign corporations*	n/a
Form 1040 *for information on K1s and 1099s*	n/a
FinCEN 114 *(FBAR)* ***Form 8938*** *(FATCA)*	***FinCEN 114*** *(FBAR)* ***Form 8938****(FATCA)*

Comparison of tax benefits:

The benefits of tax-free compounding of an investment portfolio within a private placement deferred variable annuity (DVA) are illustrated below:

Assumptions

Issue age:	Tax rate:	Investment net return:	Annual Admin charge:	Establishment charge:	Premium:
29	**40%**	*7%*	**0.80%**	**1.0%**	**$2,500,000**

Age	DVA cash value	US taxable account	Difference
39	$4,768,588	$3,930,836	**+$837,752**
49	$8,656,539	$5,931,467	**+$2,725,072**
59	$15,714,435	$8,950,335	**+$6,764,100**