EWP & Trust Substitute-Part 2

International Tax Planning & Trust Substitute—Part 2

EWP (Expanded Worldwide Planning) and Trust Substitute

Private Placement Life Insurance (PPLI) in Action

A Stradivarius Violin Plays the EWP Super Trust

In Part 1 we spoke about how a beginner's violin knows nothing of the deep, rich, and more pleasing tone of the Stradivarius violin. We equated the **Stradivarius violin** with the more sophisticated uses of asset structures that employ PPLI to its full effect. In Part 2 we will learn about the **EWP Super Trust**, which indeed uses the deep, rich, and more pleasing tone of the Stradivarius violin.

Ironically, the most simple PPLI structure, a ***Frozen Cash Value*** (FCV) policy, offers wealthy families the most advanced structuring possibilities available in the world today. A family can place almost any asset class that is located almost anywhere in the world into a FCV policy, and still have it ***compliant with tax authorities worldwide***.

The FCV PPLI structure almost eliminates the concept of cash value in the traditional sense. The growth element of the assets in the policy is paid out as a tax-free death benefit at the death of the insured person(s) in the contract. The amount of the death benefit to qualify as life insurance is just a percent or two of the total assets contributed to the policy, as there must be a risk shifting element to qualify as life insurance under the laws of the jurisdictions who issue the policies.

The maximum the owner of the policy can withdraw is the total value of the premium contributed to the policy. This includes in-kind premiums. The structures that ***we create*** for the world's wealthiest families have sizable premium contributions, frequently in the hundreds of millions and multiple billions. Therefore, if withdrawals from the policy are wished, there is plenty to withdraw. More frequently there are no withdrawals, as these families can accomplish what they wish inside the existing FCV PPLI structure.

In essence, the policy is composed of a small amount of life insurance and the worldwide holdings of a family, offering them the maximum amount of privacy, asset protection, and tax efficiency that is possible. With its own three elements of owner, insured, and beneficiary, it goes far beyond the three elements of a trust: settlor or trustor, trustee, and beneficiary. How is this possible? How can it be fully compliant with the U.S. tax code for those families that have a connection to the U.S.?

The EWP Super Trust

FCV PPLI relies on §7702. Section 7702(a), in defining life insurance, states in part, "the term 'life insurance contract' means any contract which is a life insurance contract under the applicable law."

The meaning of "the applicable law" in both §7702(a) and §7702(g) mean that life insurance policies issued under the laws of other countries are indeed life insurance contracts, even if they do not meet the various cash value tests mentioned in the §7702(a).

The insurance laws of these countries allow the death benefit of the insurance contract to be less than its cash value. In fact, within these countries, a life insurance contract is fully compliant with a cash value well in excess of the death benefit of the insurance policy.

The insurance companies that issue FCV PPLI policies design the policies to conform to the laws of the countries where these insurance companies are domiciled. You then have an insurance policy that is fully compliant under "the applicable law" of these countries. Most nations in the world, including the U.S., allow their citizens to purchase life insurance policies that are issued from countries outside their own.

Thus, the FCV PPLI is fully sanctioned for U.S. buyers, and buyers from other nations in the world who wish to avail themselves of this truly remarkable structuring tool: a Trust Substitute that we call an **EWP Super Trust.**

FCV PPLI asset structures have been in use by U.S. persons and non-U.S. persons for over 25 years without a challenge by the IRS. Our mission at ***Expanded Worldwide Planning*** is to make the most advanced asset structuring techniques available to wealthy families throughout the world.

Why not take advantage of this exceptional opportunity which is supported by 100s of billions of dollars of successful structures that have been put in place over these 25 years?

We offer you ***another chart*** which shows what a properly structured PPLI policy can accomplish for non-U.S. persons who own real estate in the U.S. compared with structures that just use trust and other entities.

Download PDF chart

A Safe Drive to the Ultimate Destination

We will use a multi-lane motorway or freeway as our analogy on how life insurance is ideally positioned to serve the needs of ***wealthy families worldwide***. Life insurance is recognized throughout the world as a useful financial planning tool to address the retirement, financial planning, and estate tax needs of families. Where is life insurance positioned on this motorway?

The fast lane is for those drivers who are the risk takers, traveling at ever faster speeds until they hear the sound of a patrol car chasing them down. In the slow lane are those drivers who wish to drive the speed limit, or wish to travel at a leisurely pace to reach their destination. In the middle lanes are those drivers who wish to blend into the flow. Not be the fastest on the road, or the slowest. In the universe of financial planning tools, life insurance structures are traveling in these middle lanes.

These middle lane drivers are avoiding the newest innovations in planning techniques championed by those in the fast lane, and, also, staying away from strategies that accomplish little which are adopted by those in the slow lane. The drivers in the middle lanes will reach their destination safely with little risk of a confrontation with the authorities, who are concentrating on the drivers in the fast lane.

By using ***life insurance*** as its basic framework, the families driving in the middle lanes accomplish the maximum amount of privacy, asset protection, and tax efficiency. A PPLI life insurance based structure is indeed the best building block available to achieve the six principles of EWP, and be fully compliant with tax authorities worldwide.

Tax Avoidance vs. Tax Evasion

This brings us to the topic of the regulation of financial planning structures. One key distinction is the difference between what is termed tax avoidance and tax evasion. For some regulatory bodies there is little or no distinction between these two concepts. With our EWP approach to asset structuring, we see a large distinction between tax avoidance and tax evasion. On what grounds do we take this position?

Admittedly, our position is self-serving because our clients' are the world's wealthiest families. At the same time we challenge those who take the high moral ground of calling tax avoidance and tax evasion the same thing. Our view can be summarized in ***IRC v. Duke of Westminster,*** **Baron Thomas Tomlin wrote:**

> "Every man is entitled if he can to order his affairs so that the tax attaching under the appropriate Acts is less than it otherwise would be. If he succeeds in ordering them so as to secure this result, then, however unappreciative the Commissioners of Inland Revenue or his fellow taxpayers may be of his

ingenuity, he cannot be compelled to pay an increased tax."

Yes, there is some line between tax avoidance and tax evasion, but it is not as simple as saying that putting money in a tax-deferred retirement savings account is morally fine because these accounts are intended by the government. But it is immoral to employ tax avoidance such as—assigning low value to intangibles sold to corporate subsidiaries in order to assign profits to low-tax jurisdictions—because this behavior was not intended by legislators.

Defining the line between tax avoidance and tax evasion involves drawing a line that governments themselves have failed to draw adequately, and places blame squarely on the taxpayer for their behavior. This is all based on a rudimentary idea about what the politicians who wrote the law "intended."

Conclusion

An EWP Super Trust is a unique vehicle for creating the maximum amount of privacy, asset protection, and tax efficiency for the world's wealthiest families. We await the opportunity to create one for you!

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