EWP PODCAST with Michael Malloy CLU TEP RFC

Joe Robert Podcast

--What is Expanded Worldwide Planning (EWP)?

--Expanded Worldwide Planning or ***EWP*** for short was born out of a desire for the world's wealthiest families to have a more secure and tax efficient way to structure their ***assets***.

--Frankly, in the early part of this century the planning for ultra high net worth families had just become too complicated, and was not accomplishing its goals.

--Families wished something simpler and more straightforward, so ***firms like ours*** asked this question: what are the main principles of planning for ultra high net worth families? We came up with six:

- ***privacy***
- ***asset protection***
- ***tax shield***
- ***succession planning***
- ***compliance simplifier***
- and ***trust substitute***.

--We asked ourselves: what financial product already has most of these in place by its very nature, and is recognized worldwide as a viable financial vehicle? The answer is—life insurance.

--But not your garden variety of life insurance. A specialized form of life insurance that dates from the 1970s--Private Placement Life Insurance.

--This form of life insurance is available to those who the SEC calls Qualified Purchasers, those who have investable assets of $5M or more.

EWP is unique in that it brings together disciples that most people take separately, but when put together in one package are much more powerful; they are:

- financial planning
- asset protection
- estate planning
- and life insurance planning.

Here's what *Bloomberg* said in a recent article on PPLI:

> "Athletes, celebrities, and family offices are embracing private placement life insurance, or PPLI, as a way to preserve wealth for their heirs. It's a strategy

that's perfectly legal and has existed for decades."

Bloomberg is so excited about PPLI because it delivers these benefits:

- all cash value in the policy grows tax-deferred, and is paid out as a tax-free death benefit;
- there are no income taxes for assets held in the policy, and this includes capital gains tax;
- one can access the cash value through tax-free distributions from the policy;
- one receives asset protection and enhanced privacy;
- there is limited reporting to tax authorities;
- the ability to avoid estate taxes;
- and there are no surrender charges.

An outstanding feature that catapults PPLI above any other life insurance policy is that all asset classes can be placed in a policy:

- real estate
- physical assets like timber, oil, and mining
- private equity
- intellectual property
- art and collectibles
- yachts and private jets
- and alternative currency denominations like bitcoin.

Let's hear what **Wikipedia** has to say on the six principles of EWP in their International Tax Planning article. We will follow these Wikipedia descriptions of the six principles of EWP with our own Commentary.

Privacy

EWP gives privacy, and compliance with tax laws. It also enhances protection from data breaches and strengthens family security. EWP allows for a tax compliant system that still respects basic rights of privacy. EWP addresses the concerns of law firms and international planners about some aspects of CRS related to their clients' privacy. EWP assists with the privacy and welfare of families by protecting their financial records and keeping them in compliance with tax regulations.

Our commentary—

In today's world, there is no more hiding of assets in complicated structures offshore; it just doesn't work. So how do you achieve both compliance with tax laws and privacy at the same time? This is what EWP does so well, and we will explain in greater detail as we go on.

Major data breaches are almost a commonplace event today. Besides data breaches, wealthy families are also threatened by aggressive journalistic groups, whose mission is to expose the financial dealings of wealthy families. EWP structures are a way that families can have both full compliance and privacy.

Asset protection

EWP protects assets with segregated account legislation by using the benefits of life insurance. This structure uses asset protection laws in the jurisdictions of residence to shield these assets from creditors' claims. A trust with its own asset protection provisions can still receive additional protection with the policy.

Our commentary—

Throughout the world, life insurance is recognized as an asset that has great societal value. Death benefits alleviate governments from the burden of protecting families from financial ruin, when an unexpected death occurs in the family. Segregated accounts are mentioned here. These are specialized accounts set up by custodians that protect assets. In segregated accounts the assets are set aside for the families that own them. This makes them independent from both the custodian, a life insurance company, and most importantly from unwarranted attempts by creditors to seize them.

The insurance companies that we use at EWP Financial are headquartered in jurisdictions that have excellent asset protection laws, like Bermuda and Barbados. These laws are specifically written, so that these policies give families maximum protection from creditors' claims.

Succession planning

EWP includes transfers of assets without forced heirship rules directly to beneficiaries using a controlled and orderly plan. This element of EWP provides a wealth holder a method to enact an estate plan according to his/her wishes without complying with forced heirship rules in the home country. This plan must be coordinated with all the aspects of a properly structured PPLI policy together with other elements of a wealth owner's financial and legal planning.

Our commentary—

In many parts of the world, one simply can't dictate how one's assets will pass to the next generation; these are the forced heirship rules. Many European countries have these laws. In the U.S., Louisiana has forced heirship laws. These laws came about to protect certain close families members like children and spouses, but they can severely limit how a wealth owner distributes their estate.

An EWP structure is enacted outside the home country of the wealth owner, so if done properly the laws of the home country do not apply, and he or she is free to distribute their estate in a manner of their own choosing.

Tax shield

EWP adds tax deferral, income and estate tax benefits and dynasty tax planning opportunities. Assets held in a life insurance contract are considered tax-deferred in most jurisdictions throughout the world. Likewise, PPLI policies that are properly constructed shield the assets from all taxes. In most cases, upon the death of the insured, benefits are paid as a tax free death benefit.

Our commentary—

This is what occurs in a regular IRA or 401(k) plan, while money is kept in these accounts there are no taxes until the money is withdrawn. In an EWP Structure there is never a tax, because it either passes to the next generation as a tax free death benefit, or one makes distributions from the life insurance policy which also are not taxable.

Compliance Simplifier

EWP adds ease of reporting to tax authorities, administration of assets, and commercial substance to structures. In addition, the insurance company is considered the beneficial owner of the assets. This approach greatly simplifies reporting obligations to tax authorities, because assets in the policy are held in segregated accounts and can be spread over multiple jurisdictions worldwide.

Our commentary—

For most people a spider web is not a positive image. For this reason we use a spider web as a symbol of an overly complicated asset structure with multiple entities and a confusing array of boxes and arrows. In its complexity, what we call a Spider Web Structure might look impressive to some, but the end result is summarized in three words: overcomplication, confusion, and uncertainty.

We propose an alternative asset structure that we call an EWP Structure. At the heart of an EWP Structure is a PPLI policy which was born out of the necessity to achieve greater tax efficiency, privacy, and asset protection in one low cost structure with institutional pricing. A PPLI structure is made possible through the laws and regulations of life insurance. A much more stable and straightforward body of law than the more politicized tax laws and regulations worldwide.

Trust Substitute

EWP creates a viable structure under specific insurance regulations for civil law jurisdictions. In most civil law jurisdictions, trusts are poorly acknowledged and trust law is not well developed. As a result, companies with foreign trusts in these civil law jurisdictions, face obstacles.

Our commentary—

Some civil law jurisdictions do not recognize trusts in the same light as in most common law jurisdictions. In some asset structuring situations, an EWP Structure can be a viable substitute for a trust. Upon death of the insured person, the value of the assets in a PPLI policy, plus any death benefit is paid directly to the beneficiaries listed in the policy. This can facilitate the transfer of wealth and eliminate the need for a trust.

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