

# Customized Private Placement Life Insurance

## Benefits of Private Placement Life Insurance

1. Three ways to contribute
  - a. After-Tax funds
  - b. Assign Appreciated Assets
  - c. Assign Unearned Business Income
2. Tax-free growth of investment
3. Tax-Free loan
4. Flexibility of investments
5. Cash value growth potential
6. Low cost of policy – cash value year one
7. Estate benefits
8. Can be owned by Irrevocable Trusts for Estates

## What Is Private Placement Life Insurance?

Private placement life insurance, or PPLI, is a customized version of variable rate insurance not available to the general public. At present, PPLI policies are more often offered by banks, hedge fund managers, and niche insurance companies than by the big names in traditional insurance.

## Why Is Private Placement Insurance More Desirable Than Publicly Sold Policies

- 1 Institutional Pricing - significantly lower premiums than the general public would pay for similar coverage.
- 2 Lower Commissions and Fees - PPLI transactions generally involve substantially lower commissions and fees than those associated with publicly offered policies.
- 3 Greater Choice in Investment Strategy - Since every policy is customized, individuals investing in PPLI can seek out providers whose investment strategies align well with their own financial goals. No publicly available life insurance offers policyholders that kind of control over how the value of the policy will grow.



## What Are the Tax Benefits of Universal Life Insurance?

All universal life insurance policies, private or public, offer important tax benefits for the policyholder, allowed by the same IRS Tax codes, including:

- ✓ Tax-free growth of investments / cash value of the policy
- ✓ Tax-free access to accumulated cash value via loans or withdrawals (note that loans and withdrawals can reduce the death benefit)
- ✓ Tax-free death benefit

### *PPLI offer two significant tax benefits other policies do not;*

- ✓ Eliminate Capital Gains on Appreciated Asset Sales - when assets assigned before a sale occurs.
- ✓ Significantly Reduce Ordinary Income Tax on unearned business income

## Who Qualifies for a Private Placement Life Insurance Policy?

Generally, PPLI is offered to “accredited” or “qualified” investors—those who have substantial investable assets, a documented investment track record, and certain income levels. Minimum premium of \$1.5-\$2Million over a 2-5 year period is often the Insurers guideline to issue a policy.



## The All-important “Hands-Off” Rule and Penalties for Meddling

The holder of any universal life policy is strictly forbidden by IRS rules from attempting to influence the investment decisions of the insurance company or its representatives.

The message is clear: You can discuss investment strategy with your PPLI provider and the advisor of the policy to set up your preferred investment strategies so that your advisor can execute the strategies in your best interest.

### Example of PPLI Utilization

#### Unearned Business Income



#### After Tax Dollars



1

2

3

#### Appreciated Assets

- ✓ Real Estate
- ✓ a Business
- ✓ Crypto
- ✓ Stocks
- ✓ Patents
- ✓ Others



#### Assignment / Premium Contributions

##### PPLI

- ✓ Tax Free Growth of Investments
  - Flexibility of Investments
- ✓ Tax Free Loan up to 90% of cash value
- ✓ Tax Free Death benefit
- ✓ Tax Free Asset Sales
- ✓ Reduce Ordinary Income Tax

#### Benefits flow to the Client

CLIENT / Life Insured  
Insured can be a Entity like a LLC or Trust



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