Private Placement Life Insurance (PPLI) in Offshore Trust More Useful Than Ever

Solution for Deteriorating Geopolitical, Economic, Tax and Financial Conditions

Tax-free wealth is possible

BOULDER, COLORADO, USA, July 26, 2023 /EINPresswire.com/ -- For decades, seers of doom have predicted the demise of the US dollar and other fiat currencies, economic recessions, crashing stock markets, a collapsing debt-burdened US Treasury, and the end of US global hegemony. None of these have happened, but there are some disturbing current trends.

As of July 2023, US national debt is approaching $33 trillion, while projected unfunded US debt liabilities total about $192 trillion (source: usdebtclock.org). In 2008, US national debt was "only" $10 trillion. Paying interest on the national debt is now the largest single US budget expenditure. Over 121 countries have begun de-dollarization efforts, incorporating gold as part of their alternative assets, impacting the global currency reserve landscape (source: Asian QuickTake, on YouTube, 25.July.2023). Global de-dollarization has spread from Russia, Iran, Venezuela and other oil countries to many countries around the world, including many developed countries, as well as economies in Southeast Asia and South Asia. (Source: "56 countries including Japan, Israel, etc. de-dollarize, US media: Japan is dumping US debt with lightning speed", iMedia, 26.July.2023, at min.news/en/economy/).

> Over 121 countries have begun de-dollarization efforts, incorporating gold as part of their alternative assets, impacting the global currency reserve landscape."
>
> *Asian QuickTake, on YouTube, 25.July.2023*

Current US income tax rates for individuals are historically low. Inflation is high. The U.S. Federal Reserve Bank raised its lending rates to lower inflation. In view of the high level of debt and leverage in the economy (compared to previous periods of inflation and high interest rates), and further in view of high price-to-earnings ratios in the equity markets, many market watchers predict a downward correction of the markets and an economic recession. One can only guess whether tax rates on individuals (income, gift & estate) will go up in the future, and whether inflation will continue to devalue the US currency.

Numerous offshore alternatives

Planning helps

US global military, economic, financial, diplomatic and "cultural" hegemony was bound to decline over time (as all earlier empires have declined). Actions of the US government around the world, exemplified by (but certainly not limited to) its proxy war against resource-rich Russia and its strained relations with economic giant China, seen to have accelerated the decline of US influence. In the meantime, crime and homelessness in many US cities (large and small) are increasing, the US southern border is virtually uncontrolled, fentanyl demand persists, society has embraced a deranged woke culture, and the confidence of US citizenry in government is waning.

All the factors mentioned above suggest risks to wealth and well-being in the US.

Are there ways to ameliorate the situation? Yes. One way is to move assets out of the US and into an offshore trust, specifically, an offshore irrevocable life insurance trust, ILIT. The offshore ILIT then uses the assets to purchase offshore private placement life insurance, PPLI. An individual or family having a net worth of only $2 million to $5 million is financially able to fund an ILIT-PPLI structure.

The ILIT-PPLI structure can grow wealth tax-free, provide tax-free income to trust beneficiaries for generations (even perpetually), provide asset protection against all types of creditors forever, and manage family wealth and a family legacy.

The ILIT provides offshore asset protection. The settlor (or grantor), the individual who forms and funds the trust, allocates portions of the settlor's gift and estate tax exemption and generation skipping transfer tax (GSTT) exemption to the ILIT to cover the "completed gift" to the trust. As a result, estate and GST taxes will never be paid on distributions to trust beneficiaries. The ILIT can be set up to have a US domestic trustee and a foreign trustee. Management by the domestic trustee allows the trust to be treated as a domestic trust, making it less complicated when filing IRS tax forms. Assets are located outside of the US, however. If legal problems arise, the US trustee is terminated and the foreign trustee, outside of US jurisdiction, assumes trust management.

PPLI is designed to minimize death benefit and maximize growth of policy cash value. As with all life insurance policies under the U.S. tax code (IRC § 7702), no income or capital gains taxes are paid on investment growth of assets held in a private placement life insurance (PPLI) policy. Accordingly, assets in the life insurance wrapper grow tax-free and distributions to trust beneficiaries are tax-free. Because the ILIT owns the PPLI policy, distributions to beneficiaries are also free from estate and GST taxes. Accordingly, wealth can grow tax-free and be distributed to beneficiaries completely tax-free, perpetually.

During the life of the insured, policy loans based on the cash value can be distributed to beneficiaries tax-free. At the death of the insured, some of the death benefit can be used to purchase a new policy insuring the life of a younger beneficiary to continue the cycle as long as desired.

The ILIT-PPLI structure gets some assets out of the US, which is a good thing in itself. Foreign-based PPLI has advantages over domestic PPLI. It has lower minimum premium commitments (min. premium commitment usu. $1 million), compared to domestic PPLI and it has lower start-up fees and carrying costs. In contrast to foreign PPLI, domestic PPLI requires a minimum premium commitment of $5 million or more, only in cash, has higher fees, and is subject to state-imposed investment restrictions. Of course, as a variable product, PPLI is exposed to the market risks of its investments. Nevertheless, risk can be managed effectively by investment of policy assets in conservative and/or diversified funds.

An alternative to PPLI is a foreign deferred variable annuity (DVA).

Thomas Swenson, JD
Law Office of Thomas J Swenson
+1 303-440-7800
tswenson@swenlaw.com
Visit us on social media:
Facebook
LinkedIn

---

we have missed, please do bring it to our attention. Your help is welcome. EIN Presswire, Everyone's Internet News Presswire™, tries to define some of the boundaries that are reasonable in today's world. Please see our Editorial Guidelines for more information.