

WEALTH PLANNING WITH LIFE ASSURANCE

THIS DOCUMENT IS NOT AUTHORISED FOR DISTRIBUTION IN ISRAEL

BENEFITS SUMMARY FOR THE ISRAELI POLICYHOLDER

Lombard International Assurance pioneered the use of unit-linked life assurance as an estate planning tool, combining private banking and investment management services. Life assurance is a financial and wealth structuring tool used to achieve fiscal efficiency, asset protection and succession planning for wealthy clients and their families.

Israeli resident individuals may access these advantages by concluding foreign life assurance contracts abroad. Contracts are governed by Luxembourg law and are issued in Luxembourg.

This summary highlights the principal benefits of life assurance for the Israeli policyholder.

PROTECTION OF ASSETS

- Maximum security through a state controlled policyholder protection regime that ensures the legal separation of policyholders' assets from the insurance company's shareholders and creditors. The policyholders' assets are held by an independent custodian bank approved by the Luxembourg state regulator, the Commissariat aux Assurances. The custodian bank is required to ring-fence the assets and is bound by the regulator's legal powers to protect the assets for the policyholder. If the custodian bank or insurance company should fail, such securities are protected. This policyholder protection regime is known as the "Triangle of Security".
- Following the investment of assets into a Lombard International Assurance policy, these assets become the sole property of the company and are managed by the investment manager appointed by us.

SUCCESSION PLANNING AND TAXATION

- Policyholder is provided with a high level of flexibility allowing beneficiaries to be nominated, changed or revoked at any time. Beneficiary payments are made in accordance with the policyholders' wishes.
- Maturity of the life assurance contract is on the death of the last surviving life assured (multiple lives assured may be used). The death benefit consists of the portfolio value and the additional fixed insured amount.
- Beneficial tax treatment of the additional fixed risk component if distributed to the Israeli resident beneficiaries, being relatives of the life assured.

- Benefit of long-term tax deferral until maturity of the policy or unless the policy is surrendered (partially or totally).
- Withholding tax advantages through Luxembourg double taxation treaty (DTT) network (over 70 DTTs are currently in place).
- Assets owned by Lombard International Assurance held at a Swiss bank are exempt from Swiss Stamp Duty.
- Israeli residents coming to the end of the 10-year tax exemption on non-Israeli income and capital gains for new and returning residents ("Aliyah program") could continue to enjoy favourable tax treatment of their investments.
- Life assurance policy can be combined with trusts to optimise existing succession planning structures.

FINANCIAL PRIVACY

- Simplification of reporting obligations for Israeli resident policyholders.
- Confidentiality maintained between policyholder, insurer and appointed advisers as client information is not made available in public domain.

INTERNATIONAL RECOGNITION AND TRANSPORTABILITY

- Statutory and public acceptance of life structures for estate planning purposes.
- Favourable tax treatment for life assurance in many jurisdictions worldwide.
- Cross-border and internationally transportable solution for multi-jurisdictional families.

COMPREHENSIVE SOLUTION

- Existing relationships retained – bank, investment manager, lawyer, tax adviser.
- Open architecture approach to investment management – often no restructuring of portfolio assets is required.
- Luxembourg legislation allows unquoted assets, in the form of shares in trading or financial holding companies, to be held alongside bankable assets.
- Possibility to pledge or use the policy as collateral.

CASE STUDY

Frederick

FAMILY STATUS

Frederick is a 43-year-old independent entrepreneur. He is an Israeli resident national who holds an important part of his liquid assets (USD15m), originating from the sale of a Spanish furniture manufacturer he founded, outside Israel. He has retained 10% of the shares in the Spanish company.

OBJECTIVES

- Maintain his existing investment portfolio, optimise his Spanish shareholding and benefit from long-term tax deferral.
- Asset protection.
- Minimise reporting obligations.

SOLUTION

Frederick subscribes to an Insurance Wealth Preservation Plan with both his quoted and unquoted assets forming the premium.

RESULT

- Frederick maintains his current investment strategy. Existing banking and investment management relationships will be maintained.
- The solution offers investment flexibility with Frederick having access to international assets compliant with Luxembourg regulations, with the ability for his unquoted shares to be placed within the policy.
- The whole portfolio, consisting of quoted and unquoted assets, benefits from long-term tax deferral.
- Frederick may pledge his policy as security for a bank loan in order to fund other private equity investment opportunities.

CASE STUDY

Charles & Karen

FAMILY STATUS

Charles & Karen moved to Israel almost ten years ago with USD7m deposited at their bank in Switzerland. With their 2 children at Tel Aviv University, they are approaching the end of their 10-year exemption under the Aliyah program.

OBJECTIVES

- Maintain their existing investment portfolio and the tax efficient nature they have enjoyed over the past 10 years.
- Maintain simple reporting obligations.
- Retain control during their lifetime whilst providing for an efficient distribution of assets to their children.

SOLUTION

Before the end of the 10-year period, Charles & Karen subscribe to an Insurance Wealth Preservation Plan appointing their children as joint beneficiaries.

RESULT

- Charles & Karen maintain their existing investment strategy and banking relationships.
- Before the end of their Aliyah program, Charles & Karen have optimised their situation. They benefit from both long-term tax deferral and enjoy simplified reporting obligations.
- They retain control over the life assurance policy; there is no need to inform their children of these arrangements.
- Upon the death of the last surviving life assured, their children will receive 100% of the net asset value of the policy plus a fixed death benefit of USD500k which is tax-exempt.

DISCLAIMER

The information provided in this Benefits Summary is valid as at April 2015. The content of this document is solely intended for information purposes and is not to be construed as a solicitation or an offer to buy or sell any life assurance product. Neither is the information intended to constitute any form of legal, fiscal or investment advice and it should therefore be used only in conjunction with appropriate professional advice obtained from a suitable qualified professional source. The overview of tax rates is indicative and is directed towards high net worth clients. The tax rates are therefore those levied on substantial portfolios. The rates and bases of taxation are liable to change. Whilst every care has been taken in producing this document, Lombard International Assurance S.A. shall not be liable for any errors, misprints or misinterpretation of any of the matters set out in it.

All copyright in this document belongs to Lombard International Assurance S.A.

LOMBARD INTERNATIONAL ASSURANCE S.A.

4, rue Lou Hemmer · L-1748 Luxembourg · Grand-Duché de Luxembourg
Tel +352 34 61 91-1 · Fax +352 34 61 90 · www.lombard.lu
R.C.S. Luxembourg n° B37604 · TVA LU 15902470 · Code fiscal 1991 2204 696

Italian Branch/Sede secondaria italiana

Piazza San Marco 3 · I-20121 Milano · Italia · Tel +39 02 3670 5260 · Fax +39 02 3670 5263 · www.lombard.lu
P.IVA/Registro Imprese Milano n. 08441540963 · Iscrizione Albo IVASS della Sede secondaria italiana n. I.00121

Representative offices in ROME · GENEVA · LUGANO · ZURICH