

# The Beauty of The Integrated Circuit

## PPLI: The Computer Chip of Wealth

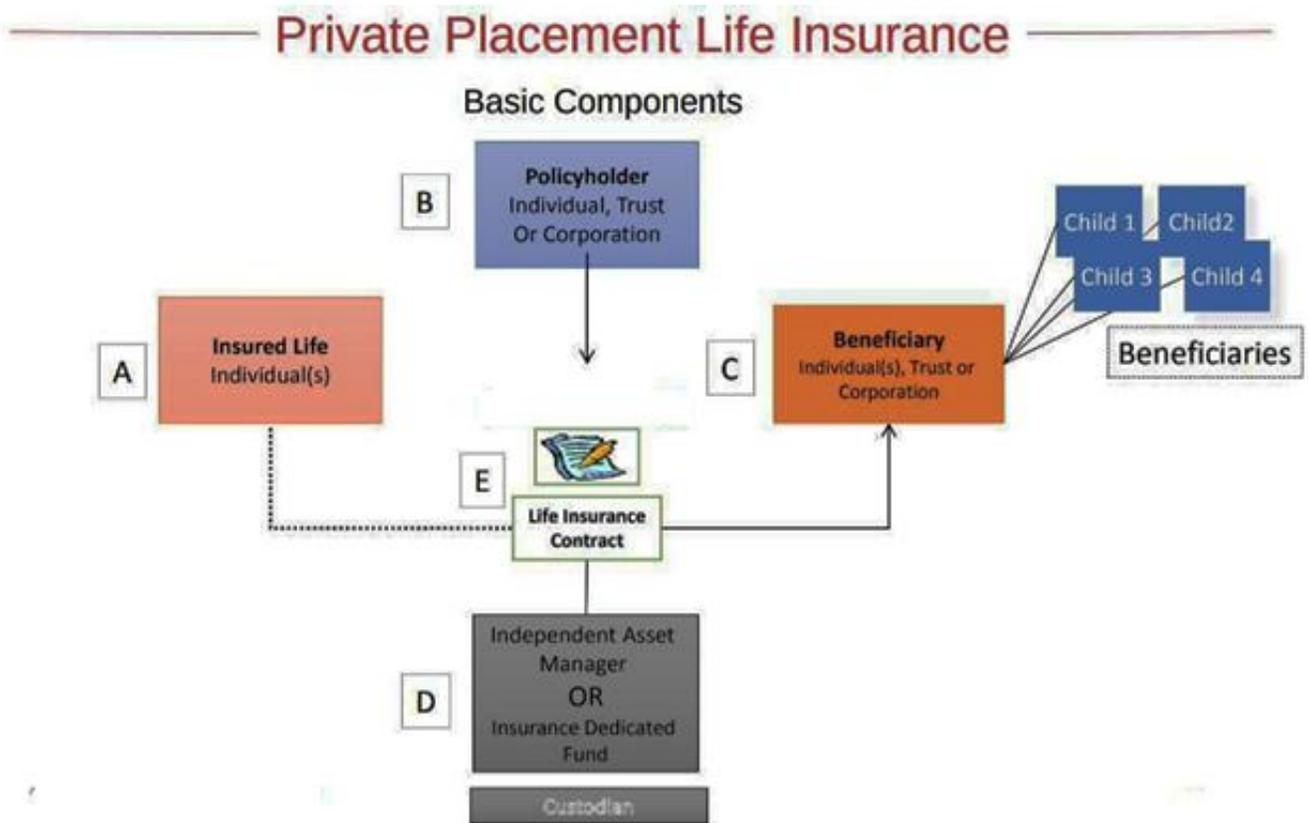
Private Placement Life Insurance (PPLI) is a type of integrated circuit, read computer chip, in planning for wealthy international families. Both of these remarkable structures remain in the background, and what is visible is the amazing things that they accomplish.

If you have ever opened up the inside of a laptop computer, you see a bewildering array of small devices connected by tiny wires--the world of integrated circuitry. This is similar to the PPLI flow charts that a firm produces to model the worldwide investments, hard assets, real estate holdings, and companies of the wealthy international families that we serve.

Courtesy of Sparkfun we have this definition,

“Integrated circuits (ICs) are a keystone of modern electronics. They are the heart and brains of most circuits. ... An Integrated Circuit is a collection of electronic components – resistors, transistors, capacitors, etc. – all stuffed into a tiny chip, and connected together to achieve a common goal.”

Let us look at a typical flow chart for a PPLI policy. Now isn't our analogy making more sense? Just imagine the boxes to be computer chips.



Andy Kessler in his recent *Wall Street Journal* article, “[The Chip That Changed the World](#),” describes how essential integrated circuits are in our lives today.

“Integrated circuits are the greatest invention since fire—or maybe indoor plumbing. The world would be unrecognizable without them. They have bent the curve of history, influencing the economy, government and general human flourishing. The productivity unleashed from silicon computing power disrupted or destroyed everything in its path: retail, music, finance, advertising, travel, manufacturing, health care, energy.”

Noted tax attorneys David Neufeld and Grant Markuson give us excerpts from, “[\*\*Keeping It All Using Private Placement Life Insurance To Achieve Tax Free Investment Returns\*\*](#).” We thank them for their insightful remarks on PPLI.

“Few financial choices are more critical than protecting an investment portfolio from taxes. One of the most powerful but little known and under-used tools to achieve this is a private placement life insurance (PPLI) policy. By placing an investment portfolio within this life insurance vehicle, investors can convert an otherwise taxable portfolio into one in which no income or capital gains taxes accrue, ever.

PPLI can be especially relevant to angel investors who have a wide range of investments — including private equity — that have the potential to produce sizable capital gains. As a service to our readers, Angel Investor asked David Neufeld and Grant Markuson, tax attorneys at Markuson & Neufeld, to introduce our readers to this important investment vehicle.

Using PPLI as a Component of an Estate and Income Tax Plan Standing alone, PPLI offers powerful income tax planning opportunities. The gains and income earned on the investments forming the underlying funding of the policy do not incur federal or state income tax. Equally important, this tax saving is permanent, not simply a deferral to some future date. Once the insured dies, the insurance proceeds — reflecting the then-current value of the investments plus the insurance component — should be received by the beneficiaries income tax free.

The PPLI does not only benefit the beneficiaries upon the death of the insured; it also can benefit the policy owner during his or her life, by permitting loans of the cash value without triggering any income tax on the realized gain. Interest payments simply go back into the policy value.”

In today’s world attempting to hide assets from tax authorities only draws more attention to them. Why not use a “background structure” like [\*\*PPLI\*\*](#) to

not only shield assets from tax but also gain enhanced privacy. Please let us know how we can assist you in these planning aims.

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