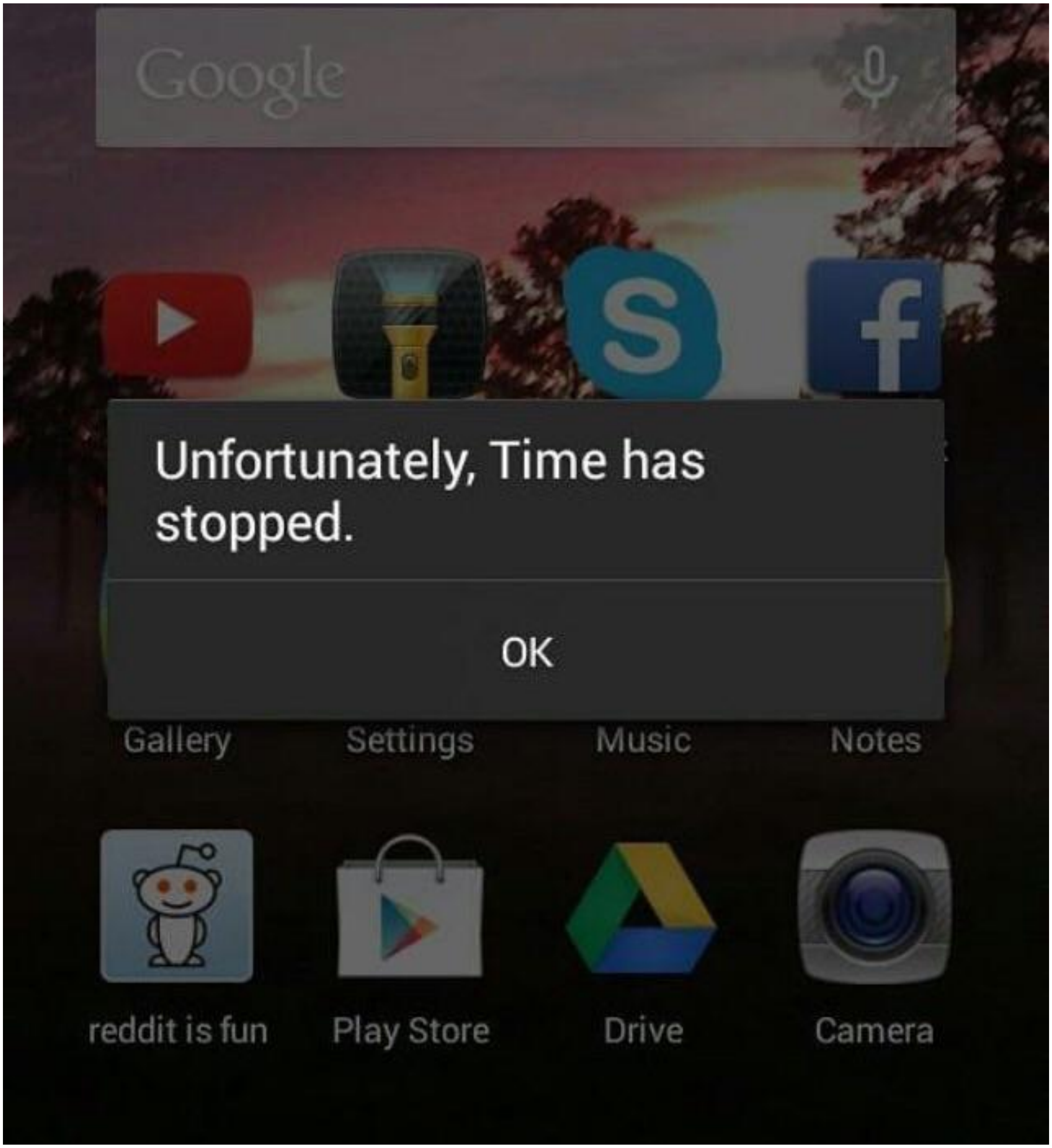
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Unfortunately, Time has stopped.
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What Is Time?

PPLI Stops Time

This week we will learn how a sophisticated structuring technique for wealthy international families, ***Private Placement Life Insurance*** (PPLI), has the ability to stop time. Yes, this may seem at first hearing outrageous, but from a tax and privacy perspective, this will be the conclusion of our article.

If PPLI has this ability, we must first define time. A tall order, you say. Let us look at a few quotes from ***William Shakespeare*** to get our bearings.

"Make use of time, let not advantage slip."

"Let every man be master of his time."

"I wasted time, and now doth time waste me."

From these three quotes, we read that one element of time is scarcity: you only have so much of it. And through your use of time, it is possible to place your affairs in more favorable circumstances.

What happens when assets are placed in a properly structured ***PPLI policy***? These assets enter a privacy enhanced and tax-free environment. If this structure is properly maintained, from the time the policy is issued until the death of the last person insured under the PPLI policy, the assets are not subject to tax and receive enhanced ***privacy***. As far as tax laws are concerned TIME HAS STOPPED.

PPLI and *Tax Law*

Let us leave the realm of poetry and re-enter the domain of tax concepts. One element of tax law that is germane to time is the concept of constructive receipt.

According to ***Investopedia***, "Constructive receipt is a tax term mandating that an individual or business must pay taxes on income despite the fact that it has not been physically received. An individual is considered to be in constructive receipt of income when they have the ability to control or utilize the funds, even if they do not have direct possession of them, or if it is guaranteed they will have the ability to draw upon the funds in the future. A business is said to be in constructive receipt if the business has the ability to use the money without restriction or if it has been deposited into the business' account. Constructive ***receipt*** of income prevents taxpayers from deferring tax on income or compensation they have not yet utilized or spent."

The concept of ***constructive receipt*** is no longer applicable to a properly structured PPLI policy, because the assets have been reconstituted inside an insurance policy. The insurance company is now the beneficial owner of these assets for reporting purposes. When a family wishes to receive funds from the policy, they are distributions from the PPLI policy, and only charged a small fee, most usually around 25 basis points.

Again, the laws usually applicable to the assets inside the policy no longer apply. TIME HAS STOPPED.

Our firm gladly welcomes your structuring challenges, questions, and comments. We wish to participate in your quest to, as Shakespeare says, "Make use of time, let not advantage slip."

~ by Michael Malloy, CLU TEP, @ Advanced Financial Solutions, Inc


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