



Privacy Flows with EWP and PPLI

GO WITH THE FLOW

“Go with the flow” can have several meanings, and oddly enough, in the context of Expanded Worldwide Planning (EWP) it can pertain to privacy. As our firm specializes in structuring for international clients using [Private Placement Life Insurance \(PPLI\)](#), we will discuss two recent news articles and how they relate to securing *privacy*, as well as full compliance, for families involved in [international tax planning](#). The articles are interesting in themselves, and we have used them to make a few points related to our topic.

Because [PPLI](#) is issued under a [variable universal life insurance contract](#), the insurance company becomes the beneficial owner of the assets inside the policy. When reporting to the tax authorities of the jurisdictions involved with the policy, the insurance company becomes the owner of the assets inside the policy, even though the assets are held in separate accounts for the benefit of the owner of the assets. It is the goal of EWP to secure as much privacy for clients that is allowable under law, and still be fully compliant with tax authorities worldwide.

Now back to our new articles and “going with the flow.” In a certain sense, the flow of information and the flow of wealth is akin to plumbing. As long as things flow, in the direction intended there is not a problem. When things begin to backup or flow in the wrong direction, we encounter problems.

Our first news article discusses the movement of families within the U.S. to states with no or little state income tax, and how the states that have high state income taxes like New York and California are unprepared for the loss of these tax dollars. The point is also made in the article that the states like Florida and Texas that are receiving the migrating families are also unprepared for the influx of new people in their states. In our analogy, we have a situation here where things are flowing in a direction that is not intended.

Here are a few of the salient points courtesy of the *Wall Street Journal* by Arthur B. Laffer and Stephen Moore, [“So Long, California. Savonara, New York.”](#)

“Since 2007 Texas and Florida (with no income tax) have gained 1.4 million and 850,000 residents, respectively, from other states. California and New York have jointly lost more than 2.2 million.”

“As the migration speeds up, it will raise real-estate values in low-tax states and hurt them in high-tax states.”

“Despite its shrinking tax base, New York spends nearly twice as much on state and local government per person (\$16,000) as does economically booming Tennessee (\$9,000).”

Our second news article is about the flow of information, and a possible unintended consequence of regulating it. Perhaps the pipes have been put at the wrong angles, or in the wrong place?

Again, from the *Wall Street Journal* by Steve Rosenbush, ["The Morning Download: Europe's New Privacy Rule, in Unexpected Twist, Helps Facebook, Google."](#)

The main point of the article is contained in these two quotes:

“The EU will begin enforcing the General Data Protection Regulation, “which in many cases require companies to obtain affirmative consent to use European residents’ personal information,” [the Journal’s Sam Schechner and Nick Kostov report](#)”

“Google and Facebook, using their scale and sophistication, “are applying a relatively strict interpretation of the new law, competitors say—setting an industry standard that is hard for smaller firms to meet,” the Journal reports.”

How does our discussion of “go with the flow” pertain to the benefits of using [EWP](#) and a properly constructed [PPLI](#) policy to provide [privacy](#)? In the first article, the families were moving to save significant tax dollars. Inside the privacy protection of PPLI, there is a similar movement, as the assets inside the policy, if structured correctly, are in a tax-free environment. Like the families in question, they have gone from a high tax situation to a no tax situation--if they moved to Florida and Texas where there is no state income tax.

The new privacy regulations in the second article that favor companies like Google and Facebook show how laws change over time, and when the laws change, it affects the companies subject to the regulation. One favorable element of using PPLI for structuring is that it is subject to the insurance regulations of the tax authorities involved in the policy structure. [Insurance regulation](#) tends to be much more simple and straightforward than tax codes, and this greatly favors families in their planning.

The insurance codes in most countries are also less subject to change than the tax codes. Insurance is also considered a vehicle that benefits the whole society. EWP structures enjoy the simplicity that insurance affords.

[Our firm](#) is here to assist you in “going with the flow” in the right direction, so please let us know your needs, and so we can find out if your situation is right for EWP and PPLI.

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