

Resolving the Contradiction of Changeless Change

PPLI Can Do It



Can you use a well-established product as a process for the structuring of the worldwide assets of wealthy international families? Yes, is the resounding response from [Private Placement Life Insurance](#) (PPLI).

PPLI is both a standard product and a process, and hence its versatility, and at the same time, its stability. PPLI gives a structural framework to the diverse holdings of [*wealthy international families*](#). Because PPLI is a product and common in the world's tax and legal frameworks, there is a large body of laws and regulations that give advisors--**a road map to follow**.

This allows PPLI to give the [*assets of wealthy international families*](#) full privacy and tax savings, and at the same time, compliance with the world's tax authorities.

To explore the concept of change, our article gives you an example from the world of self-driving automobiles. We also share with you a legal challenge to the OECD's CRS program.

Changeless Change is also a good description of China. This ancient civilization has transformed itself into a 21st century nation in only a few short years. Shanghai, China, is the venue of the video, "Our Journey Together" Part III, of my presentation at the 5th annual FOA Forum that we offer you below.

[PPLI](#) is also known as Private Placement Variable Universal Life Insurance (PPVUL). Its name speaks to the internal workings of the product. It is both life insurance and a home for investments. This is a definition from [Cornell University Law School's Wex Legal Dictionary](#):

"A form of whole life insurance that combines aspects of universal life insurance and variable life insurance and provides for a death benefit and accrues cash value on a tax-deferred basis. Variable universal life insurance ("VUL") policies allow for flexibility in premiums, death benefits, and investment options."

So how does a product become a process, a structuring tool? PPLI is a type of PPVUL, but with very unique characteristics. These are the characteristics that allow clients to accomplish so many valuable elements in the [single structure](#):

Open Investment Universe--Almost any asset that can be held by a trust company can become part of a PPLI policy. With proper structuring even operating businesses can be included.

Simplified Reporting--The assets inside the policy are held in separate accounts for the policyholder, meaning that they are not part of the general assets of the insurance company. But for reporting purposes, the insurance company becomes the beneficial owner of the assets.

Asset Protection--The insurance policy adds another layer of asset protection in the structure. The domicile of the insurance companies also is a help here, as they are located in jurisdictions that have strong asset protection laws, like Bermuda and Barbados.

Low Fees/Commissions--Most often there is a 1% set-up fee. And the ongoing fees are frequently less than 1% of the assets inside the policy. This contrasts sharply to the large first year commissions charged by Universal Life and Whole Life policies.

Now for our examples of how change plays out in the world today. Self-driving cars and the OECD's CRS are concepts that did not exist a few years ago. To make their way into our everyday world is not an easy task. They both have something to offer, but they must fit into other structures that have existed for longer periods. They are like new pieces of a jigsaw puzzle introduced when the puzzle seems to be complete.

["Self-driving cars Encounter Political Roadblocks"](#) by Mike Colias and Tim Higgins of the *Wall Street Journal*, give us a glimpse into the process of integrating technological change into the world.

"Auto makers and other companies racing to commercialize self-driving car technology are facing pushback from local politicians, complicating their plans to bring real-world testing to more U.S. cities.

In New York City, General Motors Co. has put on hold plans to begin testing in Manhattan because Mayor Bill de Blasio has expressed concerns about the technology's safety, according to people familiar with the matter. GM said last year it would be the first company to start driverless-car testing in the city, starting in early 2018.

In Chicago, the city council's transportation-committee chairman has vowed to block self-driving cars from operating in the nation's third-largest metropolis, citing safety concerns and the potential for displacing taxi drivers and other jobs.

Even in Pittsburgh, a hotbed for autonomous-vehicle research and development, city officials have recently adopted more stringent requirements, demanding that driverless-car developers detail how a vehicle's safety system works before granting permission to test on public roads.

A fatal crash in March, when an Uber Technologies Inc. self-driving test car stuck and killed a pedestrian in Tempe, Ariz., has fueled concerns over putting such prototypes on public roads, especially in big cities that tend to be more crowded, transportation officials say. Also, many city leaders say they want companies to show that the technology will provide wider social benefits, such as reducing congestion and helping low-income residents get around.

“It’s a lot of local politics that are difficult to navigate,” said Bradley Tusk, founder of Tusk Ventures, which works with startups on regulations and other political issues. “These are hard issues. You’re talking about small spaces that are very congested.

Meanwhile, a Senate bill that aims to establish nationwide regulations for self-driving cars has stalled in Congress. Without federal direction, cities and states are left to act on their own, creating a patchwork of rules and red tape for companies plowing billions into the technology and hoping to eventually turn their testing into profitable ventures.

GM Chief Executive [Mary Barra](#) has called self-driving vehicles “the biggest opportunity since the creation of the internet.” GM, Alphabet Inc.’s self-driving car unit [Waymo LLC](#) and others are betting these services will create a market for customers wanting to hail a robotic car much like they do an Uber or Lyft Inc. ride. Some analysts estimate that market could eventually be valued at trillions of dollars.

GM and Waymo are among companies that have been testing in a handful of U.S. communities for years and are getting closer to launching services to paying customers. GM plans to introduce a new robot-taxi service next year, likely in San Francisco, where the auto maker has done the bulk of its testing. Waymo said Nov. 13 that it will begin offering rides in self-driving cars to Phoenix-area customers in the coming weeks.

Companies say that in some cities, they are working closely with officials to assuage concerns, but much more work is needed before a wider rollout is possible.”

Barney Thompson of the *Financial Times*, shares with us “[EU National Challenges HMRC Over New Data Sharing Rules.](#)” CRS aims to assist governments in the fair collection of taxes, but are data protection safeguards in place to protect our rights to privacy?

“An EU national is challenging HM Revenue & Customs over new rules that require tax authorities around the world to automatically exchange information on millions of their citizens who live abroad.”

In a complaint to the UK’s data protection regulator, the EU citizen said the common reporting standard — a key measure against tax evasion developed by international experts that is now being gradually introduced by more than 100 countries — made her personal information vulnerable to cyber hacking or an accidental leak.

However, campaigners have defended the measure, saying it was an important tool in the fight against tax avoidance and evasion, notably through offshore financial centers.

The EU citizen who has made the complaint about the common reporting standard — who does not want to be identified — is currently domiciled in Italy but is described as having “a very international background”.

She lived in the UK for several years and was tax resident in Britain, acquiring a unique taxpayer reference and a national insurance number. She also still has a UK bank account with a deposit of £4,000.

Even with this relatively small amount, her bank is required under the common reporting standard to disclose certain information to the HMRC, including the account number, balance, her name, date of birth and tax number.

In turn, HMRC must pass on the information to its counterpart in Italy, which it is due to do in September.

Exchange of information would be automatic

In theory, any UK bank account holder living in another country that abides by the [common reporting standard](#) falls under the scope of its rules.

Within the EU, almost 19m people are estimated to live in a different member state to the one in which they were born.

Like the [US foreign account tax compliance act](#), on which it is based, the common reporting standard was designed as a way to counter global tax evasion by making the exchange of information between countries automatic rather than have tax bodies request it if they suspect wrongdoing.

The standard was developed by the Organisation for Economic Cooperation and Development, the Paris-based international body that co-ordinates co-operation between different tax jurisdictions.

Several countries have poor data security

In her complaint against the common reporting standard to the UK Information Commissioner's Office, the EU citizen said the exchange of information required by the rules will expose her to "a disproportionate risk of data loss and potentially hacking".

She added: "This risk has crystallised recently in light of incidents in which HMRC has lost data concerning UK taxpayers and recent data breaches concerning UK banks."

Her complaint cited how HMRC had lost the personal records of 25m taxpayers in 2007, as well as a media report in 2017 outlining how the tax authority's website was vulnerable to cyber attacks. HMRC subsequently took action to fix the weaknesses.

Among the countries that have signed up to the common reporting standard are several with poor data security records, added the woman's complaint.

Furthermore, data leaks such as during the [TSB online banking failure this year](#) and attempts by cybercriminals to hack the online tax details of British taxpayers illustrated the dangers around the mass exchange of sensitive personal information, it said.

As a result, the common reporting standard infringed the new EU-wide General Data Protection Regulation, which came into force in May, as well as European human rights laws, said the complaint.

Rules risk 'identity theft on a grand scale'

The Information Commissioner's Office has the power to impose temporary or permanent limits on the processing of personal data if it decides that GDPR rules are being infringed.

The office said:

“We have received a complaint relating to HMRC and the common reporting standard and will be looking into the details.”

Filippo Nosedo, a partner at law firm Mishcon de Reya, who is acting for the EU national, said the data breach risks involved in the standard “could lead to identity theft on a grand scale”.

Mr Nosedo acknowledged that rich clients of law firms would appreciate not having their tax details and activities shared between authorities.

But he added:

“The endgame is not to go back to banking secrecy. We need to find a system that is balanced.”

John Christensen, director of the Tax Justice Network, a campaign group, defended the common reporting standard, saying it needed to be broad to deter individuals from using offshore structures to avoid and evade tax.

“The [standard] has given the tax authorities the information they previously did not have access to, which enables them to pinpoint where tax evasion is happening,” he added.

“Tax avoidance and evasion are . . . deliberately and purposefully depriving tax authorities of finances.”

HMRC declined to discuss the EU citizen’s case but added:

“HMRC shares some personal data with overseas tax authorities to ensure that the right tax is being paid. HMRC only ever shares information when it’s entirely lawful to do so. This includes complying with applicable GDPR requirements.”

Advanced Financial Solutions, Inc. uses a stable and well-accepted financial concept, life insurance, to structure the assets of wealthy international families. Our main tool, PPLI, is a versatile and underutilized

form of life insurance that gives excellent structuring results. Please join our list of very satisfied clients by [contacting us today](#) about your worldwide assets. We are here to bring you the right kind of change that is disruptive in a positive way.

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