FOR INFORMATION PURPOSES ONLY

What is a Private Placement Variable Annuity (PPVA)

Private Placement Variable Annuities are:

1. Bankruptcy-remote, versatile financial instruments combining alternative investments with income tax deferral similar to that provided by an IRA. Unlike an IRA, however, there are no restrictions on how much one may invest in a PPVA
2. Available to HNW individuals and family offices
3. Important components to comprehensive financial and estate planning
4. Restricted from the annuitant (the investor) exercising control over the underlying manager's investment decisions
5. "Securities" investable in the form of an IDF (Insurance Dedicated Fund). This may include hedge funds, private equity, funds of funds, real estate and other alternatives which are not generally available to the public
    - An IDF must differ in certain aspects from a manager's existing publicly available fund

- IDFs allow the annuitant to select specific funds *without* causing "Investor Control" violations

6. Prohibited from any prearranged plan between the annuitant (the investor) and the manager from selecting any individual investment or combination of investments
7. Are bankruptcy-remote and segregated from the general account of the insurance company
8. Governed by a wealth advisor having complete control over the selection of investments. The investment account must adhere to specific diversification requirements as follows:
    - 1 investment or fund represents no more than 55% of account value
    - 2 investments or funds represent no more than 70% of account value
    - 3 investments or funds represent no more than 80% of account value
    - 4 investments or funds represent no more than 90% of account value

PPVA'S ARE OFFERED THROUGH EITHER A *STREAMLINED* or *CUSTOMIZED* SUBSCRIPTION PROCESS

<u>Streamlined Subscription Process</u>

- An annuitant (the investor) may choose from a fixed menu of IDFs

- Thereafter, the investment process is exactly the same as investing in any other fund
- No medical underwriting is required

Customized Subscription Process

- A wealth advisor may design an Insurance Dedicated Separately Managed Account (SMA) which is a customized IDF built specifically for one or multiple clients

COMPARISON OF PPLI AND PPVA

	PPLI	PPVA
Underwriting	Yes	No
Tax deferred growth	Yes	Yes
Income tax free death benefit	Yes	No
Favorable tax treatment on loans and withdrawals	Yes (if desired)	No
Separate account assets/bankruptcy remote	Yes	Yes
Capacity constraints	Yes	No

You may also be interested in watching our short video entitled EXPERT INSIGHTS

For further information please contact Ford Smith at fsmith@mcadv.com or Taryn Bregstein at taryn@marblehilladvisors.com

FOR INFORMATION PURPOSES ONLY

What is Private Placement Life Insurance (PPLI)

Private Placement Life Insurance:

1. Is a bankruptcy-remote, versatile financial instrument combining alternative investments with income tax efficiency AND life insurance protection
2. Is available to HNW individuals and family offices
3. Is an important component of comprehensive financial and estate planning
4. Restricts the policy holder (the investor) from exercising control over the underlying manager's investment decisions
5. Constitutes "securities" investable in the form of an IDF (Insurance Dedicated Fund) this may include hedge funds, private equity, funds of funds, real estate and other alternatives which are not generally available to the public
    - An IDF must differ in certain aspects from a manager's existing publicly available fund
    - IDFs allow the policy holder to select specific funds without causing "Investor Control" violations

6. Prohibited from any prearranged plan between the policy holder (the investor) and the manager from selecting any individual investment or combination of investments
7. Assets are bankruptcy-remote and segregated from the general account of the insurance company
8. Requires that the investment account adhere to specific diversification requirements as follows:
    - 1 investment or fund represents no more than 55% of account value
    - 2 investments or funds represent no more than 70% of account value
    - 3 investments or funds represent no more than 80% of account value
    - 4 investments or funds represent no more than 90% of account value

PPLI IS OFFERED THROUGH EITHER A *STREAMLINED* or *CUSTOMIZED* SUBSCRIPTION PROCESS

<u>Streamlined Subscription Process</u>

- A policy holder (the investor) may choose from a fixed menu of IDFs
- Medical underwriting is required

Customized Subscription Process

- A wealth advisor may design an Insurance Dedicated Separately Managed Account (SMA) which is a customized IDF built specifically for one or multiple clients

PPLI MAY BE OFFERED AS EITHER A *MEC* or *NON-MEC*

Modified Endowment Contract (MEC)

- Policy loans are considered distributions and are subject to tax as ordinary income
- 10% tax penalty imposed on distributions made before age 59 ½
- Distributions are treated as coming from investment earnings first and from basis in the contract thereafter

Non-modified Individual Endowment Contract (Non-MEC)

- Policy loans are not considered distributions and ARE NOT SUBJECT TO INCOME TAX
- Policy loans are non-reportable events and are typically transacted at attractive loan rates, e.g. 50 bps rates or less

- Withdrawals are treated as coming from basis in the contract first and investment earnings thereafter
- Withdrawals of basis are not subject to taxation

THE ROLE OF PPLI IN ESTATE PLANNING

- Using properly designed trust can remove the death benefit from the estate tax and GST tax systems
- The PPLI policy becomes an efficient family "bank" through the ability to borrow funds from the policy on a tax-advantaged basis
- Given the structure of the PPLI policy and the drastically increased investment options, PPLI has now become a feasible alternative investment vehicle for estate tax mitigation or wealth creation
- Consider whether a MEC or non-MEC policy structure should be used

COMPARISON OF PPLI AND PPVA

	PPLI	PPVA
Underwriting	Yes	No
Tax deferred growth	Yes	Yes
Income tax free death benefit	Yes	No
Favorable tax treatment on loans and withdrawals	Yes (if desired)	No
Separate account assets/bankruptcy remote	Yes	Yes
Capacity constraints	Yes	No

You may also be interested in watching our short video entitled EXPERT INSIGHTS

For further information please contact Ford Smith at fsmith@mcadv.com or Taryn Bregstein at taryn@marblehilladvisors.com