



LOMBARD  
INTERNATIONAL  
ASSURANCE

Wealth planning with life assurance

# Benefits summary for the Colombian investor



Unit-linked life insurance is an established and internationally recognised tool for wealth preservation. It can be tailored to suit the unique needs of individuals, their families and institutions, with the potential to enhance financial planning.

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Lombard International Assurance focuses on designing wealth structuring solutions for wealthy families using unit-linked life insurance. Life insurance is a proven instrument, internationally recognised, that is firmly embedded in the legal systems of most countries around the world, including Latin America.

Our solutions are flexible and secure, and allow for optimal tax planning. When properly used and structured, life assurance could achieve the objective of wealth preservation for high net worth individuals and their families.

This document summarizes the main potential benefits of life assurance for clients residing in Colombia.

## ADVANTAGES



### Asset and investor protection

- Assets linked to life policies are held by independent custodian banks approved by the Luxembourg insurance regulator, the Commissariat aux Assurances (CAA);
- maximum security is provided through a state-controlled policyholder protection regime (the so called Luxembourg “Triangle of Security”). Assets linked to life policies are segregated from those of Lombard International Assurance and are held off the balance sheet of the custodian banks. Should a custodian bank or Lombard International Assurance go into liquidation, policyholders would have absolute preferential rights over those assets linked to life policies. Thus, assets are reserved to pay the policyholders or their beneficiaries.



### Succession and Estate planning

- Flexibility to appoint new beneficiaries, as well as to change or revoke the nomination of beneficiaries at any time;
- payments to beneficiaries are made in accordance with the instructions provided by the policyholder;
- a policy may have several lives assured. Maturity of the life assurance contract occurs upon the death of the last surviving life assured (multiple lives assured may be appointed). The death benefit consists of the underlying portfolio value and the additional insured amount;
- the policy may be subscribed by individuals, trusts or legal entities.



## International recognition and portability

- Life assurance contract fully compliant with local legislation;
- public acceptance of life assurance for wealth and family protection;
- privileged tax status in many jurisdictions – use of life assurance encouraged by governments;
- stability in the legal treatment of this wealth planning solution is expected throughout time;
- cross-border or internationally portable solution for multi-jurisdictional families.



## Flexibility

- Client may migrate pre-existing relationships (e.g. bank, investment manager, legal and tax advisers) under the policy;
- “Open Architecture” approach to investment management – often no restructuring of portfolio assets required;
- Luxembourg legislation allows flexibility with respect to the underlying assets of the policy;
- possibility to assign certain rights over the policy;
- possibility to use the policy as collateral;
- a single, tax efficient and transparent solution which is compliant with reporting obligations;
- solicitation and conclusion of the contract must take place outside of Colombia.



## Taxation

- Premium payment not taxable;
- tax deferral - accumulation under the policy is not subject to tax;
- gains realised through withdrawal/surrender are subject to 10% occasional gains tax rate (vs. general rate for capital gains ~33%);
- payment on death to beneficiaries is subject to 10% occasional gains tax rate in the amount exceeding 12,500 UVT (~130,000 USD);
- policy subject to Wealth Tax.

## Case study

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### Mr. García

Mr. García is a successful entrepreneur who has recently sold his company and decided to move to Spain. His only child has decided to stay in Colombia.

### Objectives

Mr. García wishes to preserve the wealth generated by the sale of his company and transfer it to his only child in a controlled manner and under an efficient tax scheme once he dies.

### Solution

Mr. García advisors and Lombard International Assurance jointly design a tailor-made solution to satisfy the client’s needs and with a predictable tax treatment in the years to come.

### Result

The client subscribes to a policy in which he is the life assured and his son is the beneficiary in case of his death. During the life of the policy, the accumulated earnings under the policy are not directly taxed as there is full tax deferral (both in Spain and Colombia). In the event of his death, his wealth is transferred to his son resident in Colombia being subject to income tax but benefiting from an exemption of 12,500 UVT.

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The overview of tax rates is indicative and is

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