



LOMBARD  
INTERNATIONAL  
ASSURANCE

Wealth planning with life assurance

# Benefits summary for the Mexican 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 Mexican residents.

## 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. This may optimize existing succession planning structures.



## 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 Mexico.



## Taxation

- No premium or withholding tax in Mexico would be applied on the premium contributed to the policy;
- taxes would not be levied on the Mexican policyholder for capital gains generated by the financial portfolio(s) held under the policy during the life of the policy;
- death benefits paid to Mexican resident beneficiaries of a life assurance policy would be subject to Income Tax.

# Case study

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## Mr. Ramos

Mr. Ramos is a successful Mexican entrepreneur. He is married and has two daughters who have already finished their university studies.

One of his daughters lives in Luxembourg, where she has started his professional career in the financial sector, while the other is studying to become a judge and wishes to continue residing in Mexico.

Mr. Ramos has financial assets valued at €20 million and is considering moving to Portugal with his wife to enjoy his retirement.

## Objectives

Mr. Ramos wishes:

- to structure his wealth by means of a tax efficient vehicle that is legally recognized in different jurisdictions.
- maintain pre-existing relationships with his advisors, managers, banks, etc.
- plan the transfer of his wealth.

## Solution

Mr. Ramos' advisors and Lombard International Assurance jointly design a tailor-made solution that complies with tax regulations in the various countries involved and with a predictable tax treatment in the years to come.

## Result

Mr. Ramos subscribes a life insurance policy with Lombard International Assurance in which he designates as lives assured, in addition to himself, his wife and daughters. And, as beneficiaries of the policy, the legal heirs of his daughters.

During the life of the policy, any gain generated would accrue as the policy provides tax deferral (until a withdrawal/surrender occurs).

In the event of Mr. Ramos' death, the right to surrender would be transferred to his wife, and to his daughters in the event of her death.

Such transfer of rights would not be subject to taxation, and would allow his wife or daughters to make withdrawals according to their liquidity needs.

After the death of the last life assured, the policy proceeds would be paid to the legal heirs of his daughters.

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The overview of tax rates is indicative and is

directed towards high net worth investors. The tax rates are therefore those levied on substantial portfolios. The rates and bases of taxation are liable to change.

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