

# Understanding Private Placement Life Insurance (PPLI)



For those who qualify, private placement life insurance provides substantial tax benefits and customization.

## The life insurance landscape

The life insurance world is diverse. Let's quickly review some key terms:

**Term life insurance** covers the policyholder for a specific period of time, such as 10 or 20 years.

**Permanent life insurance** covers the policyholder over their entire life and builds cash value over time.

**Whole life insurance policies** accumulate cash value solely from premiums paid.

**Universal life insurance policies** are linked to one or more investment accounts. In addition to a death benefit (like a term life policy), universal life also has a savings component that builds up over time.

**Indexed or fixed universal life policies** are conservative, with growth dependent on either a specific market index or on an account paying a (low) fixed interest rate.

**Variable rate universal life policies** involve greater risk, but also potentially far greater growth, because market-based investments accumulate cash value.

## Private placement life insurance is a *customized* version of variable rate insurance.

It is not available to the general public. PPLI is generally only offered to investors who have substantial investable assets, a documented investment track record, and a certain income level. These policies are more often offered by banks, hedge fund managers, and niche insurance companies than the big names in traditional insurance.

# PPLI is a particularly valuable strategy for individuals who:

1. Are accredited investors or qualified purchasers
2. Are adequately insurable
3. Have access to at least \$5M in cash to allocate to premium commitments over five years or less
4. Desire to accumulate cash value tax deferred with the option of accessing it income tax free
5. Desire to leave an income tax-free legacy to their beneficiaries
6. Desire a specific investment strategy for crediting interest to the cash value

## What are the tax benefits of PPLI?

All universal life insurance policies, private or public, offer tax benefits for the policyholder, including:

- Tax-free growth of the cash value of the policy
- Tax-free access to accumulated cash value via loans or withdrawals
- Tax-free passing along of wealth to heirs via the death benefit

## What makes private insurance better than public?

### 1. Institutional pricing

Because PPLI is sold only to people who are extremely likely to keep their policies up to date and retain them for the long term, providers can offer significantly lower premiums than the general public would pay for similar coverage.<sup>1</sup>

### 2. Lower commissions and fees

PPLI transactions generally involve substantially lower commissions and fees than publicly offered policies.<sup>1</sup>

### 3. Greater choice in investment strategy

Since every policy is customized, individuals investing in PPLI can seek out providers whose investment strategies align well with their own financial goals. Often, the provider will offer the investor the choice of hedge funds or other private investments. No publicly available life insurance offers policyholders that kind of control over how the value of the policy will grow.

<sup>1</sup> 2020, Wealth Management, Private Placement Life Insurance Explained



## Could PPLI be a fit for you?

We can help you understand your options and connect you with our team of experienced professionals.

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### Partner with us:

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