

The Private Placement Annuity

The Investment Structure for the 21st Century

Over the past decade, my clients would frequently ask me a question, which can best be summarized as follows:

«I understand all the reasons why much of my wealth should be domiciled in Switzerland. The asset protection, privacy, and respect for property are excellent. What I really want is to wrap some of my assets around an annuity structure. This would allow me to manage and control them while at the same time they would have the legal shelter of an annuity.»

Over the years, I have wondered why I could not accommodate my clients and until recently, I simply did not have a satisfactory answer. Individually managed investment accounts for annuities were simply not possible until the last decade. The problem was that our insurance regulators in Bern thought of annuities and life insurance only as the widows and orphans friends. In fact, they still do.

The Swiss insurers, being good businessmen, wanted to respond to what was a clear demand from consumers. Their solution: establish subsidiary companies in our neighbor Liechtenstein, a country with almost identical insurance and privacy laws. In fact, some parts of the Liechtenstein insurance code were directly copied from the Swiss. The important difference was that Liechtenstein allows individually managed, segregated accounts and Switzerland does not. The result: *should the international investor wish, he or she may directly determine the asset make-up of his or her annuity, manage them themselves or hire professionals to manage these funds.*

The Basic Structure

Even though **Swiss Private Placement Annuities** are issued in Liechtenstein, I still refer to them as Swiss annuities. This is on account of their being issued through the wholly owned subsidiaries of Swiss insurers.



The Concept

The concept is this: create an investment structure, under the general umbrella of a Swiss annuity, and give the owner the widest possible investment flexibility. In so doing, incorporate the strong privacy and asset protection and creditor proofing features of annuities. As the owner is not a legal resident of Switzerland, any otherwise applicable Swiss taxes are never payable. And all of the above ought to be accomplished with the lowest cost possible.

The Design

The Swiss Private Placement Annuity is a structure created and issued by a Swiss insurer's Liechtenstein subsidiary. The funds in the annuity are not assets of the insurer and do not appear on its balance sheet. They are held in the segregated account of a custodian Swiss bank. The annuity's assets are not available to satisfy one's creditors, either the insurer or the custodian bank.



The basic structure of a Swiss Private Placement policy is as follows (see **Exhibit 7**):

The insurer issues a policy, which provides the legal basis for the annuity. Both immediate and deferred annuities are available.

The investment fund is held by a custodian Swiss (or Liechtenstein) bank selected by the policy owner. Once selected, the insurer then retains the bank. This is a very important point, especially as it relates to asset protection. The bank has no direct relationship with the policy owner, but rather serves as the insurer's custodian.

The policy owner may choose to either directly manage the annuity's investments or retain a professional money manager. While the assets in the annuity are not titled in his or her name, the policy owner is always in complete control.

As a general rule, those banks that offer custodial services also have investment management services available and each offers attractive packages which include a combination of the two.

You will see in **Exhibit 8** a summary of the Swiss Private Placement Acquisition process.

Beneficiary Options

Any natural person or trust can be named as the beneficiary. The same income options, either straight, years certain, refund and joint/survivor options apply to both fixed and private placement annuities. A full explanation of annuity survivor options will be found in **Appendix 1**.