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Expert Insight

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Q: **Are there international investment vehicles that will enable me to convert tax-inefficient assets into tax efficient assets?**

A: Many international investors spend hefty amounts of time and money to structure the solution for their long-term wealth protection plans. Such a plan must provide for maximized tax efficiency, solid asset protection, and access to the world's best investment markets for attractive returns. Most investors come to the conclusion that the optimal solution is not available, does not deliver the desired results, or is simply not affordable. But for affluent investors, one such option does exist that achieves all of the aforementioned goals. A private insurance portfolio (sometimes referred to as a portfolio bond, private placement life insurance, or "insurance wrapper") combines a bank account, a brokerage account, and an insurance policy under one asset-protected umbrella. A private insurance portfolio offers tremendous tax benefits available from few other investment vehicles without the need for expensive and complex trust structures. It is a holding structure through which you, in conjunction with a professional advisor, can request that the insurance company invest in nearly any investment vehicle, usually high return, tax-inefficient assets such as hedge funds, private equity, or venture capital, which are wholly unavailable through traditional insurance solutions. Either in combination with offshore or domestic planning structures, or stand-alone, a private insurance portfolio is a useful and cost-effective tool to upgrade an existing portfolio of investments. A portfolio's features can be added or improved with regard to asset protection, confidentiality, reporting burden, insurance coverage, and flexibility, which reduces costs and taxes, including estate taxes as wealth passes from one generation to another.

Q: **If I invest internationally, which is a good country to consider for private banking?**

A: Each individual's circumstances may vary, and the source and nature of your wealth may dictate the best domicile for a given asset. For many, Switzerland, home to one-third of the world's private wealth and known as the private banking capital of the world is the location of choice. In addition to being one of the world's leading international financial centers, Switzerland provides a safe haven for investors during turbulent times. Kings, queens, presidents, athletes, movie stars, CEOs of Fortune 500 companies, top lawyers, and professors, have, for generations, sent their money to Switzerland to take advantage of the strong insurance industry, the asset protection laws, and of course, the legendary Swiss bank secrecy laws.

Q: **Why diversify away from the US dollar now?**

A: Having some of your assets denominated in non-US dollar investments is always a sound diversification rule, especially during turbulent financial times as we are experiencing now. Consider this, in the past 5 years, the US dollar has lost: - 33.3% against the Swiss franc - 38.9% against the British pound - 56.6% against the Euro - 62.5% against the Australian dollar. With volatile and unpredictable markets, and the eroding privacy laws brought on by the Patriot Act, the plummeting value of the US dollar is just the icing on the cake.

Q: **I'd like to set up a trust for my grandchildren, what is the most tax efficient way to set this up?**

A: One option is to set up a trust that will not be subject to the generation skipping transfer tax. This is a fairly straight forward process and an estate planning attorney can help you structure this properly.

Q: **How can I reduce my taxes on assets like hedge fund investments and real estate?**

A: There are a number of strategies that continue to provide significant tax mitigation solutions. US tax compliant insurance wrappers, captive insurance companies, family foundations, and tax arbitrage strategies, are just a taste of the types of opportunities that are available and can significantly reduce or eliminate estate, capital gains, and income taxes.

Q: **I am concerned about the growing number of frivolous lawsuits, what is the best strategy to protect my assets?**

A: Your concern is with good reason—58% of US physicians have been sued and nearly 29% have been sued for malpractice. Sadly, only about 12% of physicians have done any formal wealth protection planning. Wealth protection planning can be defined as the structuring of assets such that those assets become legally unreachable by claimants and creditors. One simple solution I have recommended for many physicians looking for a simple, low cost strategy is putting some of your assets in a Swiss annuity; it's one of the strongest deterrents from frivolous lawsuits. Why? Simply put, Switzerland does not honor US judgments and their laws protect the beneficiaries and owners from asset seizure, if the annuity contract is structured correctly. Furthermore, lawyers realize that even if a lawsuit does go to trial and they win, they would still have to litigate the case in Switzerland, where there is no case history or precedent indicating creditors. The best strategy for protecting assets is to safeguard them before the need for protection arises. If you wait until a lawsuit or even the threat of a lawsuit, it may be too late. If you tried to create a Swiss annuity or insurance program after being sued, it could easily be declared a "fraudulent conveyance." Disclosing your Swiss investments as part of your well-thought out estate plan is a credible way to deter lawsuits or bring them to a speedy and equitable settlement.

Q: **Is it possible to reduce my capital gains tax when I sell my practice?**

A: With a little advanced planning, it may be possible to mitigate the capital gains tax on the sale of a capital asset such as your practice. Techniques range from simple strategies that may allow you to offset the gain with a deduction, like contributing money to a pension plan, to more esoteric solutions including "estate freezing" strategies such as series grantor retained annuity trusts and cascading derivatives.