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PPLI vs. PPVA Fast Facts

What are Private Placement Life Insurance (PPLI) and Private Placement Variable Annuity (PPVA)?

Private placement insurance structures are commonly used by ultra-affluent individuals and families to defer and/or eliminate income taxes on a portion of their investment portfolios.

PPLI is frequently used irrevocable trust structures and further enhances a family's wealth transfer goals.

PPVA is most often used to either maximize future charitable giving or to defer income taxes on income producing assets.

PPLI and PPVA share several common characteristics:

- Require the investor to be a qualified purchaser (min $5m of net worth)
- Require adherence to investor control and diversification rules
- Neither have surrender charges
- All fees are transparent
- All income taxes are blocked within the structures
- No K-1s

What are the tax differences of PPLI and PPVA?

Assets in PPLI grow tax-deferred and the owner can access those values tax-free during his or her lifetime. Upon the insured's death, the entire death benefit is paid tax-free, which effectively creates a step-up in basis for those policies owned by an irrevocable trust.

PPVA tax treatment consists of the same tax-deferred growth, however distributions during life are taxed at ordinary income rates. At death, unless donated to a charity, all growth in the annuity structure will be taxed at ordinary income rates to the inheritor.

What investment strategies are typically held within a PPLI or PPVA policy?

Nearly any investment can be purchased inside PPLI or PPVA, including stocks and bonds, ETFs, hedge funds, private equity and private credit, venture capital, managed futures, oil and gas, REITs, etc. A recent improvement in the space allows these investments to be managed by an individual's investment manager with the assets custodied at Schwab, Fidelity, or Pershing, etc. – this is referred to as the SMA approach.

What are the funding minimums for PPLI and PPVA?

An individual can access insurance dedicated funds in a PPVA for as little as $500,000 while PPLI requires a capital commitment of $2 million. For an SMA, a premium commitment of $5 million is required for both.

What are the costs associated with PPLI and PPVA policies?

All-in program costs for PPVA will typically be between 0.40% to 0.50% annually. PPLI varies due to age impacting the cost of insurance charges, but all-in costs will typically be in the 0.60% to 0.80% range.