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*Welcome to*  
**Private Placement  
Deep Dive #3:  
Investment  
Options for PPLI  
and PPVA**

**Tuesday, April 23, 2024 | 9:30am – 10:30am MT**  
**Available Via Video Conference**

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# Previous Private Placement Deep Dives

## PPLI Deep Dive #1: **Repurposing Existing Life Insurance for PPLI**



Scan the attached QR code  
or [Click Here](#)

## PPLI Deep Dive #2: **Maximizing Charitable and Financial Objectives with PPVA**



Scan the attached QR code  
or [Click Here](#)

# CONVERSATION ROADMAP & MEETING REMINDERS

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## Conversation Roadmap

- Investor control and diversification rules
  - SMAs vs. IDFs
  - IDFs in a SMA program
  - Organic growth and diversification
  
- Insurance Dedicated Funds (IDFs)
  - Funding requirements
  - Compare to an allocator program
  - Why would an RIA, MFO, SFO create an IDF vs. using an SMA?
  
- Separately Managed Accounts (SMAs)
  - Who qualifies
  - Funding requirements



# CONVERSATION ROADMAP & MEETING REMINDERS CONT'D

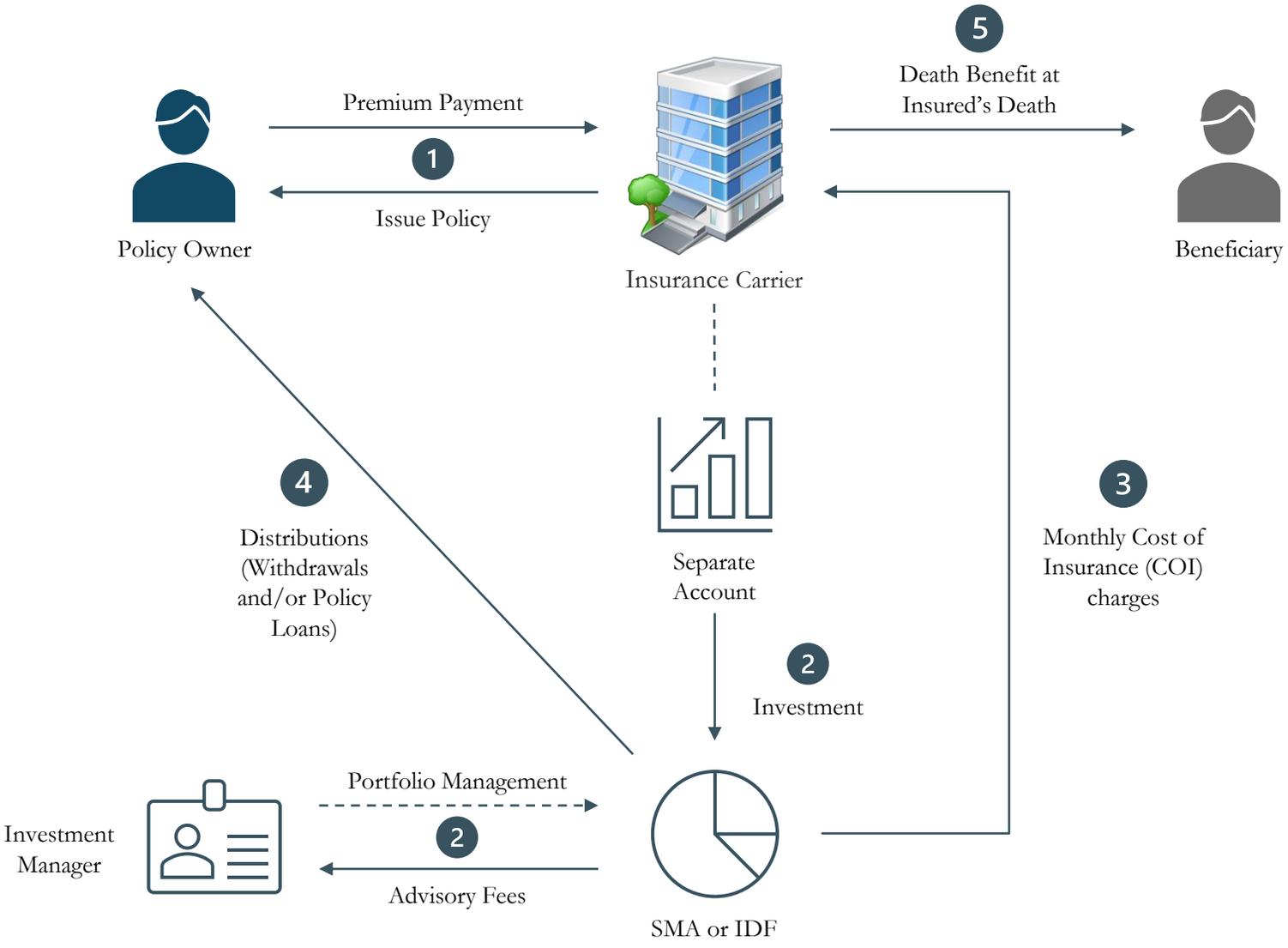
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## Conversation Roadmap

- Operations from the perspective of a wealth manager
  - Onboarding requirements
  - Custody
  - Investor control
  - Reporting
  - Private investments
  
- The role of the administrator
  - Designing the appropriate program
  - Ongoing responsibilities
  - Fee structure
  
- Q&A
  - Raise your hand or interrupt us at any time if you have a question



# PPLI FLOW OF FUNDS



- ⊗ In order to ensure that the PPLI structure is respected, two important requirements must be satisfied: 1) investor control and 2) diversification

## Investor Control

The policy owner may not exercise direct or indirect influence over a fund manager or investment advisor's selection of funds or securities

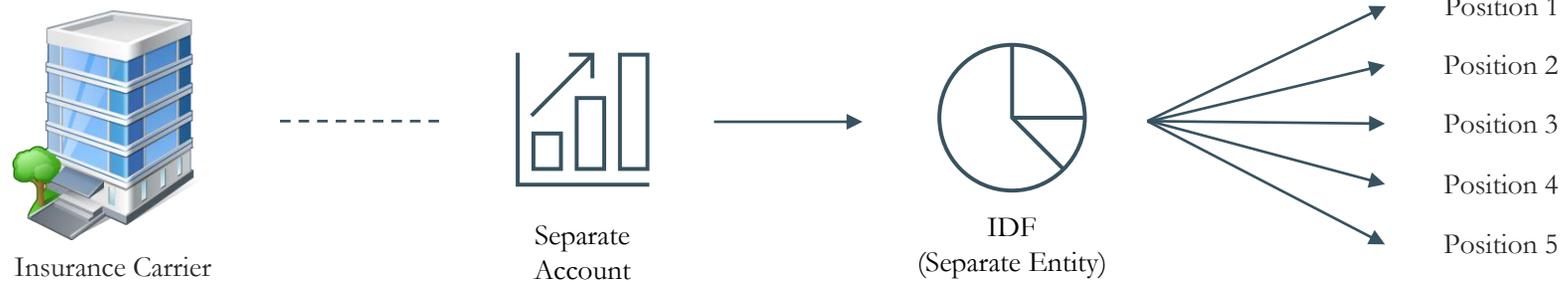
## Diversification

In general, each asset account in the policy must contain at least five investments

- ⊗ A breach of either test may result in the PPLI policy being disregarded and, thus, the income being treated as ordinary income received by the policyowner for the current and future taxable years



# INSURANCE DEDICATED FUNDS



- ④ Select funds approved by individual insurance companies
  - If PPLI funds are only allocated to IDFs, must pick from approved list at that carrier
  - IDF offerings include hedge funds, fund of funds, private credit funds, and more
  - VIT (Variable Insurance Trusts) funds are insurance equivalent to mutual funds and ETFs
- ④ Each carrier has between 60 and 100 funds approved for the PPLI investment
- ④ Investor control and diversification presumed to be satisfied



# REGISTERED IDFS: TRAD. ASSETS

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BLACKROCK



Janus Henderson  
INVESTORS

VanEck®

J.P.Morgan

LAZARD  
ASSET MANAGEMENT

T.RowePrice 

P I M C O



LORD ABBETT®



# NON-REGISTERED IDFS: ALTS AND RESTRICTED LIQUIDITY

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**Blackstone**



**Asset Management**

**GOLUB CAPITAL**

**J.P.Morgan**

**KKR**



**MILLENNIUM**  
GLOBAL

MorganStanley  
SmithBarney

**OWL ROCK**  
CAPITAL PARTNERS

PIMCO

**PAAMCO**



**Vida Capital**

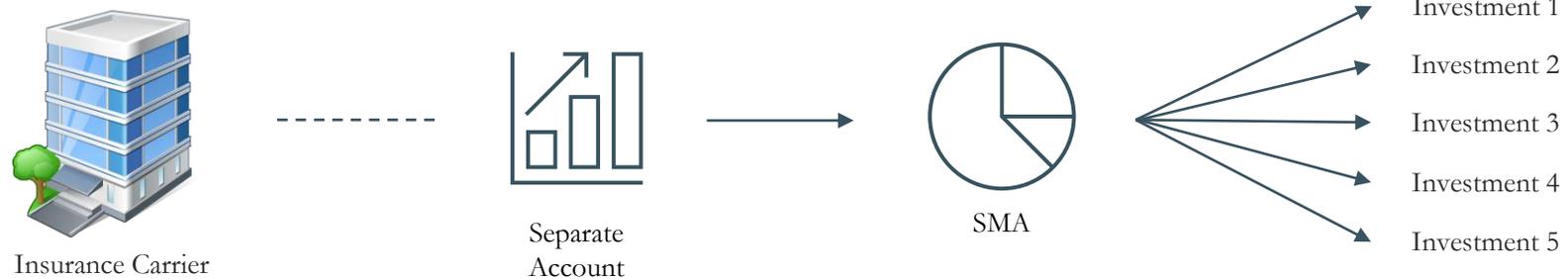
**Vontobel**



**Hamilton Lane**



# SEPARATELY MANAGED ACCOUNTS

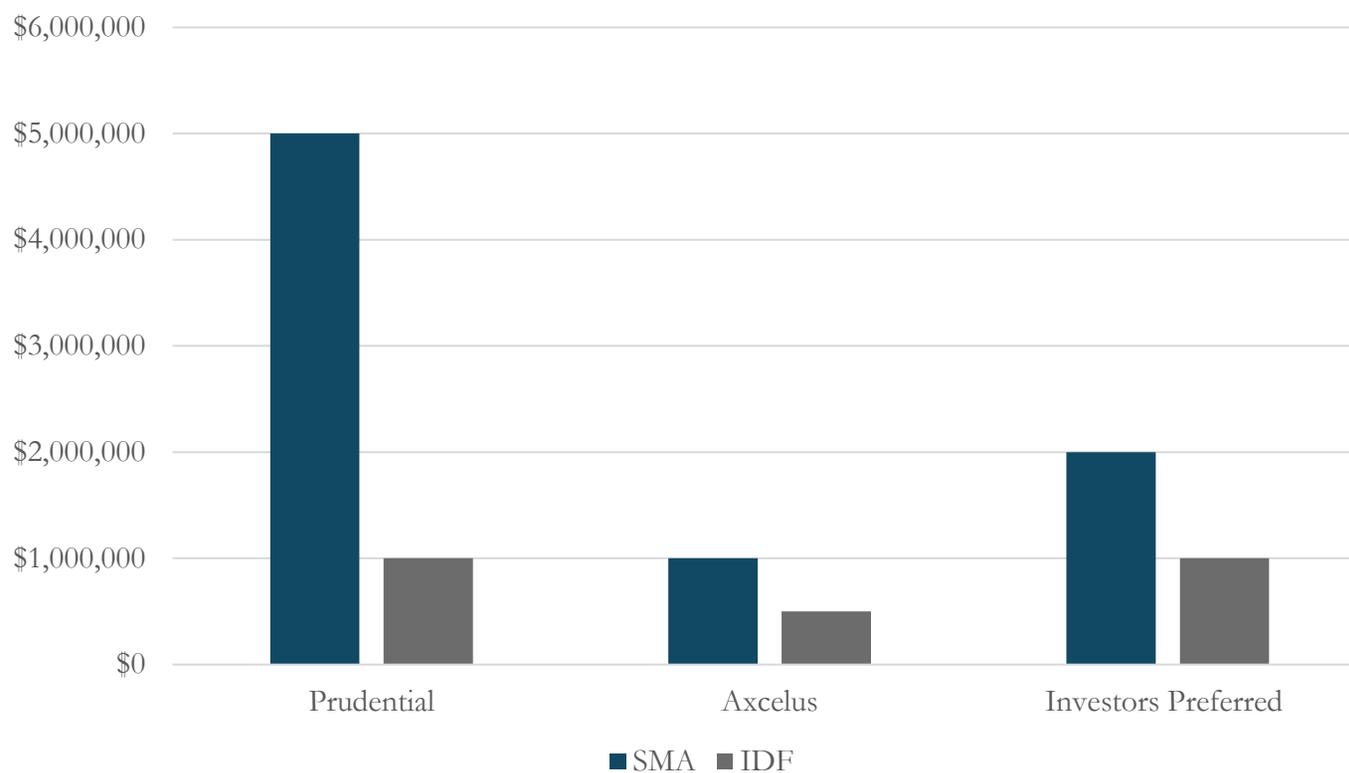


- ④ RIAs, MFOs/SFOs, banks, and trust companies approved by carriers to manage money inside PPLI contract
  - Full suite of current investments available to asset manager
  - Must be fully discretionary
  - Funds custodied at preferred custodian
  - Ability to do off-custodial platform investments (for example, private investments)
- ④ Requires Investment Policy Statement (IPS) which can be changed at any time
  - Sets the “guardrails” for the investments inside the policy
- ④ Any IDF at any carrier is available via the SMA





## SMA AND IDF FUNDING MINIMUMS



- ⦿ Funding requirements can be spread over four years
  - Example: \$1.25 million a year for four years at Prudential



# WEALTH MANAGER PERSPECTIVE

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- ④ Operations from the perspective of a wealth manager
  - Onboarding requirements
  - Custody
  - Investor control
  - Reporting
  - Private investments



# ROLE OF THE ADMINISTRATOR

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- ④ The role of the administrator
  - Designing the appropriate program
  - Ongoing responsibilities
  - Fee structure



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# Upcoming Private Placement Deep Dive

Deep Dive #4:  
PPLI and PPVA for  
Immediate Income

Tuesday, May 28<sup>th</sup>  
Time: 9:30am – 10:30am MT

Scan the below QR Code or  
[Click Here](#)





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  - A copy of this recording and presentation will be published shortly in the Thought Leadership section of our website



# Appendix

# TAX TREATMENT OF PPLI

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- ④ Tax benefits
  - Tax-deferred growth
    - Account value growth is tax-deferred
  - Tax-free death benefit
    - Under §101(a)(1), life insurance death benefits are income tax-free
  - Tax-free access to cash value
    - Distributions from insurance policies are assessed on a first-in, first-out (FIFO) basis
  - Step-up in basis equivalence
    - If owned by an irrevocable trust, PPLI will be the only asset to receive a step-up in basis equivalence at death
  
- ④ Complies with multiple IRC sections, including §101, 72, 817 and 7702
  - These code sections govern all life insurance products, not just PPLI
  - 160 years of tax law precedent



# TAX TREATMENT OF PPVA

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- ④ Tax benefits
  - Unlimited deferrals of investment gains until death
  - No K-1 reporting
  - All withdrawals of earnings subject to ordinary income tax; LIFO treatment of gains
  - 10% penalty for withdrawals prior to age 59 1/2 but no RMDs
  
- ④ Complies with multiple IRC sections, including §101, 72, 817 and 7702
  - These code sections govern all life insurance products, not just PPLI
  - 160 years of tax law precedent



## AVAILABLE VITs AND IDFs

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### VIT and IDF Offerings Link Summary

File	Carrier	Link
Alts Funds List	Axcelus Financial	<a href="#">Click Here</a>
VIT Fund list	Axcelus Financial	<a href="#">Click Here</a>
Investment List	Investor Preferred	<a href="#">Click Here</a>
ALTS and VITs	Prudential	<a href="#">Click Here</a>



# IMPORTANT DISCLOSURES

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This material is intended for informational purposes only and should not be construed as legal or tax advice and is not intended to replace the advice of a qualified attorney, tax advisor, personal investment advisor or retirement plan or employee benefit plan provider. This report is not intended as an offer or solicitation to purchase insurance or any other product. Any discussion of US tax matters contained herein is not intended to be used and cannot be used for purposes of avoiding US tax-related penalties.

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## Nature of Services, and Responsibilities

The business advisory services, and possible resulting recommendations (estate planning solutions, need for liquidity planning, etc.) will vary in type and complexity, depending on a client's individual personal and business circumstances and goals. Services and responsibilities are outlined in our Proposal Letter and Relationship and Engagement Agreement. It is important that you provide accurate and complete responses to the questions asked by the WP Partner, that you review the information provided to you in the initial Instinct Verification, Decision Dialogue, financial modeling or other report, as well as any final report, and that you promptly inform the Partner of any subsequent changes to your situation or the information provided. You are solely responsible for the accuracy or completeness of the information you have provided, which may affect the results of any recommendations contained in the report. Information should be kept up to date, as results may vary over time and as assumptions change.

## Methods of Analysis and Projection

Information collected is intended to project future financial scenarios to meet your future goals or liquidity requirements. Financial Projections and other information prepared by WP are based on assumptions provided by and/or reviewed with the client in their final report, are hypothetical in nature, do not reflect actual investment or business results and are not guarantees of future performance. Actual results will vary, perhaps to a significant degree.

- Personal Investments - WP uses simple aggregate growth rates to project personal investments and retirement accounts, and all inputs are either provided by the client or client's financial advisor/provider or are jointly agreed on by WP and the client. Return assumptions do not reflect the deduction of any commissions, fees or product charges that may apply to any particular investment, which may negatively impact returns.
- Insurance Illustrated Performance - All policy values used reflect current policy charges, current cost of insurance rates, current mortality and expense risk charges, average fund expenses and the stated hypothetical gross rate of return. The policy values are hypothetical for illustration purposes only and may not be used to project or predict investment results. Policy values will vary based on the actual performance of sub-account investments selected, actual insurance charges over the life of the plan and the timing of the premium payments. A WP illustration may utilize a supplemental illustration from an insurance provider, that is only part of the basic illustration and must be read in conjunction with the actual basic illustration. Please refer to the actual illustration for more information about the guaranteed elements of the policy and other important details.
- Business Income Statement, Cash Flow Statement and Balance Sheet – Current company financial statement information is provided by the client, as well as revenue and expense growth assumptions for future years. These assumptions are used to project future Net Income, and business valuation based upon an appropriate multiplier disclosed to the client.
- Personal Cash Flow – Cash flows are projected based on information obtained from the client (tax returns, personal financial statements, bank statements, W-2s, 1099s, K-1s, etc.). Future cash inflows and outflows are based on input from the client and the client's advisors.



# IMPORTANT DISCLOSURES (CONT'D)

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- Estate/Trust Cash Flow – Cash flows due to and from Trusts will be based on trust documents and financial information (tax returns, financial statements, etc.) obtained from the client.
- Personal Assets – In some situations, WP may project the value of an asset (i.e. real estate, other assets, etc.) based on input from the client and the client's advisors.
- Taxes – Taxes are being calculated in the analysis. However, WP does not provide tax advice and the tax calculations are for illustrative and hypothetical purposes only. The client should consult with their tax advisor to evaluate their tax situation.

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## Insurance Product

An investment in variable life insurance is subject to fluctuating values of the underlying investment options and entails risk, including the possible loss of principal. The performance of your account will vary and you may receive more or less than the amount invested. Product guarantees, including the death benefit, are subject to the claims-paying ability of the issuing insurance company. Loans and partial withdrawals will decrease the death benefit and cash value and may be subject to policy limitations and income tax.

An insurer's financial strength rating represents an opinion by the issuing agency regarding the ability of an insurance company to meet its financial obligations to its policyholders and contract holders. A rating is an opinion of the rating agency only, and not a statement of fact or recommendation to purchase, sell or hold any security, policy or contract. These ratings do not apply to the safety or performance of any separate account.

## Sub Account Performance Disclosures (for Variable Universal Life policies)

The fund performance data shown in this report that relates to variable life insurance policies was obtained through Morningstar and represents the individual net returns of the underlying funds shown in the report. Morningstar is a non-affiliated third party investment research and management firm that provides mutual fund information, news, commentary, portfolio analysis, comparison reporting and other services. Past performance does not guarantee future results. The fund performance data is being provided for informational purposes only and does not reflect the actual returns of the sub accounts in the variable component of the insurance policies that are invested in those funds, which may be lower or higher than the performance quoted due to the timing of cash flows, holding periods, sub account allocation changes, policy fees and other expenses. Policy fees or expenses include premium loads, cost of insurance, administration fees, mortality and expense risk charges, or any other charges that may be incurred under the policy. Policy returns would be significantly lower after all policy fees and expenses are deducted.

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