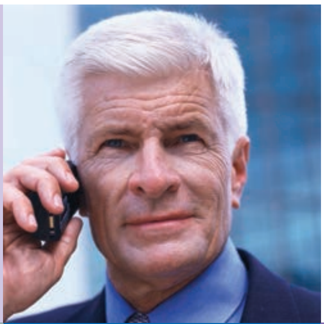
AILO
ASSOCIATION OF INTERNATIONAL LIFE OFFICES

A guide to investing in cross-border life assurance products for clients of retirement age



Investing in

Later Life...

As you get older, your financial priorities and planning needs change as you look to preserve the wealth that you have already created while trying to achieve ongoing investment growth above the rate of inflation. You may also wish to take an income from your investments and maximise the amount that can be passed on to your heirs. A cross-border life assurance policy may help you to achieve your financial objectives.

Reasons **why**

Depending on your country of residence and the taxation and succession rules that apply, as well as the product options available to you, this type of policy can be used to provide you with:

1. A means of obtaining life assurance, whilst also:

   - receiving regular withdrawals for your living expenses, possibly supplementing your retirement income;

   - potentially providing an amount to pass on to your beneficiaries when you die;

   - accessing the investment skills of professional asset managers with a wide choice of options that may provide better medium to long term returns than cash deposits through exposure to equities and alternative investments.
2. An efficient tax planning tool.
3. Part of your wider inheritance tax planning when combined with the use of trusts or, for example, if you live in a country such as France or Spain where Civil Law Codes apply, the nomination of beneficiaries on your policy.

Take proper advice

When purchasing a cross-border life assurance policy, you should always take advice from a professional adviser.

You can normally find a list of authorised insurance intermediaries on the website of the Insurance or Financial Regulator in your country of residence. Many of these websites are listed under "Useful Links" on the Association of International Life Offices' website at www.ailo.org. You can expect these intermediaries to conduct a detailed review of your current and longer term financial needs and priorities and to then recommend a product that is appropriate to your circumstances.

Please note that if your intermediary is 'passporting' from another EU country then you will need to look at the website of the Regulator in the intermediary's home country of residence, for example the website of the Financial Conduct Authority for a UK intermediary.

Things to consider and discuss **with your adviser**

To ensure that a cross-border life assurance policy is suitable for your needs, you may wish to consider the following points:

1. Your health

As an 'older investor' you may be more susceptible to health issues and may need money for healthcare in the short-term. Make sure that you can get access to enough of your money at short notice to cover such an eventuality.

2. Long-term care funding

As time goes by, you may need a form of long-term care. Make sure that that the policy rules allow you to set up a regular withdrawal facility to cover your needs, if required.

3. Access to your money

Ensure that the assets selected to link to your policy are not 'locked in' i.e. there is no extended waiting period before they become accessible. Most assets have daily or weekly dealing, while some deal on a monthly basis. A longer waiting period quite often applies to some property funds and hedge funds, for example.

4. Spreading the risk

Whether your policy invests solely into an insurer's internal unit-linked funds, or enables you to request links to a wide range of collective investments, remember that you bear the investment risk - not the insurer.

Make sure that there is a diverse selection of assets linked to your policy, so that your risk is mitigated if any asset performs poorly or becomes illiquid. This should also help to ensure that you can continue to get access to your money as and when you need it. Remember that it's not just about how many assets your policy is linked to, it's also about getting access.

Let your adviser know the extent to which you are prepared to link your policy to assets that may be high risk, or of a specialist nature. If you give your adviser authority to buy and sell assets on your behalf to link to your policy he will need to understand your appetite for risk.

5. Charges

It is important that you understand all the charges that apply to your policy, as, to make any gain on the investments linked to it, the investment performance first has to be sufficient to cover those charges. There will normally be more charges in the first few years on a life assurance policy than later, as most costs occur in the early years.

Ask your adviser to explain all the charges that apply to your policy, including any charges that will be made to cover the management costs of the linked assets. Depending on the country in which you are resident it may be possible to obtain an illustration that shows the likely performance of your policy and the asset selection that your adviser is proposing. You may also ask for illustrations of other companies' products for comparison purposes.

By comparing different companies' products you will see the effect of the product charging structure on your projected returns. This may not show you the effect of the charges applied by the linked assets, but these should be available to you on the fund fact sheets provided by the asset managers. Ask your adviser for them.

6. Costs of withdrawal

Life assurance policies are intended as a long term solution. However, always ask your adviser about the costs of withdrawing some or all of your money. These costs may apply both in respect of your life assurance policy and the underlying assets. They may differ in the early years (because early surrender penalties may apply to the policy) and often become much lower, or disappear altogether, during the life of your policy. The detail of these charges, as they apply to the life assurance policy, will be set out in the policy's 'Terms & Conditions' and your adviser should provide you with these. You should take some time to read them, checking with your adviser any areas you don't understand or feel comfortable with. You should also ask your adviser about any withdrawal charges that apply in respect of the underlying assets which he recommends to you.

7. Changing your mind

Remember that if you change your mind about investing in your policy you can (if resident in the European Union or otherwise depending upon the policy's Terms & Conditions) 'cool-off' during the first 30 days and instruct the insurance company to cancel your policy. In some countries in Europe you will get all of your money back, whilst in other countries, if the policy has already been invested in your selected assets, you will get back the value of your policy taking into account the performance of those assets, which may be less than you paid in.

8. Compensation Schemes

In the unlikely event of the insolvency of your insurer, most jurisdictions have schemes in force to ensure the continuation of your policy or to trigger compensation arrangements. For more information please go to the AILO website, where you will find a brochure called "Investor Protection Guide" in the literature library.

9. Take your time

Above all, take your time to make your choice. Life assurance policies are designed to be held for the medium to long term, so make sure this is the right choice for your needs and do not be rushed into making a decision.

This is an
Association of International Life Offices publication

The Association of International Life Offices was formed in 1987 by a number of companies supplying insurance and investment services in many areas of the world. The Association encourages the integrity and professionalism of its Member companies while representing their interests with governments and regulators. The Association's Membership comprises cross-border insurers and related companies from several jurisdictions.

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