



JUPITER
WEALTH ADVISORS

Securing Tomorrow

Insights on Life Insurance

KNOWLEDGE × SECURITY × PROSPERITY



"It is just a waste of money... like throwing money down the drain..." These are some of the general comments made in relation to life insurance. Why? Often it is because insurance premiums are paid on a regular basis and no claims are made, or if claims are made, excesses apply to the claim, or the claim is not covered, and premiums regularly increase year on year without any apparent justification.

How can life insurance be any different?



Protecting against a possibility vs Providing for an eventuality

Some insurance is mandatory – a legal requirement – such as car insurance. Some are insisted upon by lenders such as home insurance. The choice is removed from you. Other insurance is optional, such as travel, medical or pet insurance. Sometimes people take a calculated risk of not taking out the insurance cover, either because of the cost or their view that they are unlikely to need it. In many cases, it is not called upon. However, in the small number of cases it is needed, and not in place, there is often a lot of hardship, financial difficulty and requests made to generosity (such as relatives or crowdfunding appeals).

These are all cases where the risk being insured may or may not occur, and if it does occur, the person taking out the insurance will benefit. In the case of life insurance, often the person taking out the insurance will not benefit, but their families and loved ones will. And the risk being insured is an eventuality, rather than a possibility. The only variable is when this event will happen.

An effective life insurance plan can fulfil many objectives...

...from providing **income replacement**, covering educational tuition for **dependents**, paying off **debt** or simply assisting with specific **expense objectives**. It can also be a critical step for **estate planning**, providing **liquidity** to pay estate taxes or other expenses.

Most importantly, it provides **peace of mind**, knowing that your loved ones' financial futures are secured, even if you are no longer around to provide for them.



This is essentially insuring someone’s life, so that in the event of their death (or in some cases the diagnosis of a terminal illness), a lump sum is paid out to designated persons, the beneficiaries.

There are various types of life insurance, ranging in price – from term life insurance, which covers someone for a specified period of time, to whole of life insurance, which covers the person for their life and pays out on their death. Other life insurance policies have variants to this, with investment aspects to such policies, including endowment policies, life insurance wrappers (including offshore bonds and assurance vie) and private placement insurance (including universal life insurance). Each of these have specific features that are utilised for particular purposes e.g. life insurance and tax deferred investment growth with particular benefits that suit individual’s personal and financial situations.

Terminology

Sum assured	this is the amount of coverage a life insurance company is at risk for and will pay out in the event of an insured event e.g. death, diagnosis of illness such as cancer etc.
Life insured	this is the person(s) whose life(s) or health is covered by the insurance company
Policy holder / assured	this is the owner of the insurance policy, which is the contract of insurance between the life insurance company and the owner. Often the owner is the same (or one of) as the life insured, but not always
The proposer	this is the person/company applying to the insurer for the policy
Beneficiaries	the person(s) who will receive the proceeds from the life insurance policy
Premium	this is the payment made by the policy holder to ensure the risk remains covered by the life insurance company



Finding the right solution

One of the main drivers for any decision on life insurance is to provide liquidity for a particular reason – payment of debt such as a mortgage on a property, keyman insurance for a business, payment of taxes (e.g. estate taxes), providing funds for the family or a business partner to buy out a stake in a business, or providing a lump sum for a charitable intent or a particular family member (in the cases of second marriages, for example).

Once this need has been identified and agreed upon, research should be undertaken as to what type of policy is available and most suitable/appropriate, what type of cover is required and who with.



Key considerations should include

- 01 | What do I need the cover for

- 02 | Can I obtain the life cover locally, or do I need to look internationally for this

- 03 | What level of cover is appropriate or required

- 04 | How long do I need the policy to be in place

- 05 | How should I pay the premium(s)

- 06 | Can the policy be portable with me if I move country

- 07 | What happens if I no longer need the policy – can I get a refund or money back

- 08 | What if my circumstances change – can the policy details be altered

There could also be religious considerations to take into account. Some Muslim clients may not wish to take out life insurance which is considered haram, so may require an alternative, such as [Takaful](#).

Regulated insurance companies will then undertake their own work, through their underwriters, using medical information and financial details to determine the amount of insurable interest and make an offer.

As with pension planning, for life insurance, it is recommended to start [earlier than later](#) as premiums would typically be lower for younger ages.



Types of Life Insurance Plans

01



Term Life Insurance

This plan offers a death benefit for a specified term with no cash value accumulation, and is usually ideal for young families who need coverage for a fixed number of years (e.g. until final mortgage payment date).

02



Whole Life Insurance

This plan provides lifelong coverage with some policies providing a cash pay-out component that grows over time, and is usually ideal for families that want permanent insurance coverage and the opportunity to accumulate savings.

03



Universal Life Insurance

This plan offers flexibility in premiums and death benefits, along with a cash pay-out component.

04



Variable Life Insurance

This plan offers investment options within the policy, allowing for additional potential growth of the cash pay-out component and often the death benefit is directly linked to the investment performance of the policy i.e. it can increase or reduce in value over time.

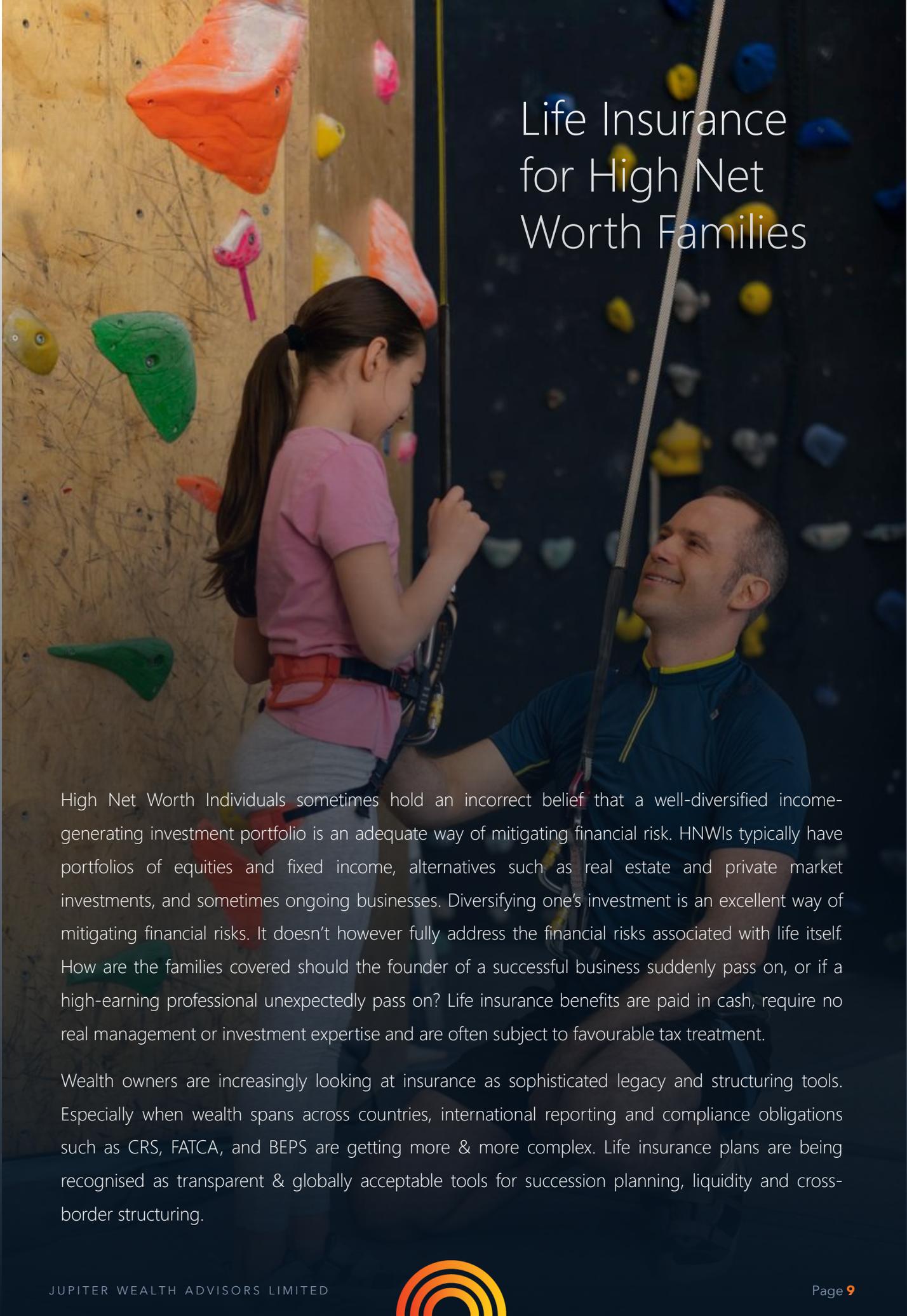


Increase in Popularity

Life insurance has undoubtedly increased in popularity over recent years. This is in part due to changes made to the policy benefits which can potentially improve policy returns for example by linking these to [investment index performances](#). Another key reason is that life insurance has been considered by many countries that have [estate taxes](#) as a generally acceptable way to meet the tax liability. The reason for this is quite simple – the government will receive the tax revenue – in this case from the payout from an insurance policy – and the family retain assets that they might otherwise have had to sell in order to raise the required funds to meet the tax liability.

For those individuals who believe that they might have some estate tax exposure, life insurance can be a worthwhile option to explore, [particularly if the potential exposure falls away](#) (e.g. by selling assets that would trigger an exposure) and the policy holder can surrender the policy and recoup some of their costs in doing so.





Life Insurance for High Net Worth Families

High Net Worth Individuals sometimes hold an incorrect belief that a well-diversified income-generating investment portfolio is an adequate way of mitigating financial risk. HNWLs typically have portfolios of equities and fixed income, alternatives such as real estate and private market investments, and sometimes ongoing businesses. Diversifying one's investment is an excellent way of mitigating financial risks. It doesn't however fully address the financial risks associated with life itself. How are the families covered should the founder of a successful business suddenly pass on, or if a high-earning professional unexpectedly pass on? Life insurance benefits are paid in cash, require no real management or investment expertise and are often subject to favourable tax treatment.

Wealth owners are increasingly looking at insurance as sophisticated legacy and structuring tools. Especially when wealth spans across countries, international reporting and compliance obligations such as CRS, FATCA, and BEPS are getting more & more complex. Life insurance plans are being recognised as transparent & globally acceptable tools for succession planning, liquidity and cross-border structuring.



How Jupiter Wealth can help

At Jupiter Wealth Advisors Limited, using our network of insurance brokers, we can support our clients with looking at their insurance needs and guiding them through the various steps required to get them.

We can look at finance options and work with you and the insurance broker to assess your needs and determine the most optimal financial arrangement. Once a suitable policy is in place, the insurance broker will continue to meet with you regularly, and we will work with you and the broker to ensure the financial aspects to the policy remain in line with your goals and needs.

DISCLAIMER

This material is provided by Jupiter Wealth Advisors Limited ("JWAL"), which is regulated by the Dubai Financial Services Authority (DFSA). It is intended solely for use by Professional Client, as defined by the DFSA, and is not for, nor should it be relied upon by, or distributed to Retail Clients. Professional Clients may not have access to the same protections and compensation rights typically available to Retail Clients under DFSA and other jurisdictions.

This material is for informational purposes only and is not an offer or solicitation to provide succession or wealth planning services. It does not represent that any recommendation is suitable for, or appropriate to, an individual's circumstances, nor does it constitute

personal advice. Recipients are encouraged to make their own independent decisions based on their own judgment. In case of doubt, recipients should consult their legal advisors to assess the suitability of any succession or wealth planning strategy.

All planning and advisory services involve risks, including the potential for changes in personal circumstances or regulatory environments that may impact outcomes. Any consequence arising from the use of this material is the sole responsibility of the recipient, and JWAL accepts no liability for such consequences.