



Benefits Abound – Use of Barbados Life Insurance to Canadian and UK Residents

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Barbados is well-known among Canadians and Britons for its beaches, congenial atmosphere and golf courses. Less known is the fact that Barbados is becoming a destination of choice for the purchase of life insurance by Canadian and UK residents.

Investment Freedom

Barbados life insurers can offer to foreign policyholders access to investment options that are unavailable in their home country. Policyholders are able to pick from a broad range of investments and benefit, in many instances, from lower investment management fees than in domestic insurer-sponsored funds. This investment freedom is the first and foremost reason why sophisticated Canadian and UK residents purchase Barbados life insurance products.

Wealth Preservation

Under Barbados law, the rights and interest in a life insurance policy are exempt from seizure and execution by the creditors of the insured. In addition, while a spouse or child of the policyholder is designated as a beneficiary of the policy, the rights and interest of the policyholder in the insurance money and in the contract are exempt from seizure and execution. Therefore, a life insurance policy affords a high level of asset protection even if the insured enjoys important

contractual rights under the policy. In contrast, under a trust arrangement, asset protection can be jeopardized if the contributor holds broad powers.

The ability to designate beneficiaries under a life insurance contract is another attractive feature. On the death of the insured, the insurance proceeds are remitted directly to the beneficiary and do not have to go through the estate of the insured. As a result, the insurance proceeds are not subject to probate fees and are protected against the claims of the creditors of the insured and attacks under domestic legislation governing succession.

Barbados life insurance thus constitutes an excellent alternative to a trust as a wealth preservation tool.

Tax Advantages for Canadian Residents

For Canadian residents, funds can accumulate tax-free within a life policy as long as the policy qualifies as an “exempt policy” under the Income Tax Act of Canada. Moreover, the entire death benefit (including the investment component) payable under an exempt policy can be remitted to the beneficiaries tax-free. Until the death of the insured, the policyholder may access funds through tax-free policy loans. A Barbados life policy can be monitored to ensure that it qualifies as an exempt policy. In order to meet the exemption test, the investment component of the policy cannot →

→ exceed the amount needed to fund the sum insured by age 85. Unlike the position in respect of a non-resident trust, a Canadian resident has no Canadian reporting obligation in the case of an exempt policy. For Canadian residents who plan to leave Canada, it is interesting to note that there is no departure tax imposed in respect of a life insurance policy at the time of departure, and any subsequent disposition of the policy may be treaty-protected if the new country of residence has a tax treaty with Canada.

Tax Advantages for UK Residents

UK resident policyholders enjoy tax-free growth and no reporting obligation until a chargeable event occurs. There is no limit on the amount of investment benefiting from tax-free accrual within the policy. A policyholder is entitled to withdraw 5% of the contributed premiums each year without triggering a chargeable event. Any unused portion of this 5% annual withdrawal privilege can be taken out in a subsequent year without UK tax. A UK resident non-domiciled individual who invests in a Barbados life insurance policy does not have to elect to be taxed on a remittance basis in order to benefit from tax-free accumulation on the policy investments and, consequently, can avoid the new annual £30,000 tax charge. In the case of a policyholder who plans to leave the UK, a Barbados life policy is even more attractive because it can be cashed out after departure without UK tax. If the policy is surrendered while the policyholder resides in the UK, then the income accumulated within the policy is taxed as regular income unless the policyholder can elect to adopt the remittance basis of taxation in that year and none of the proceeds

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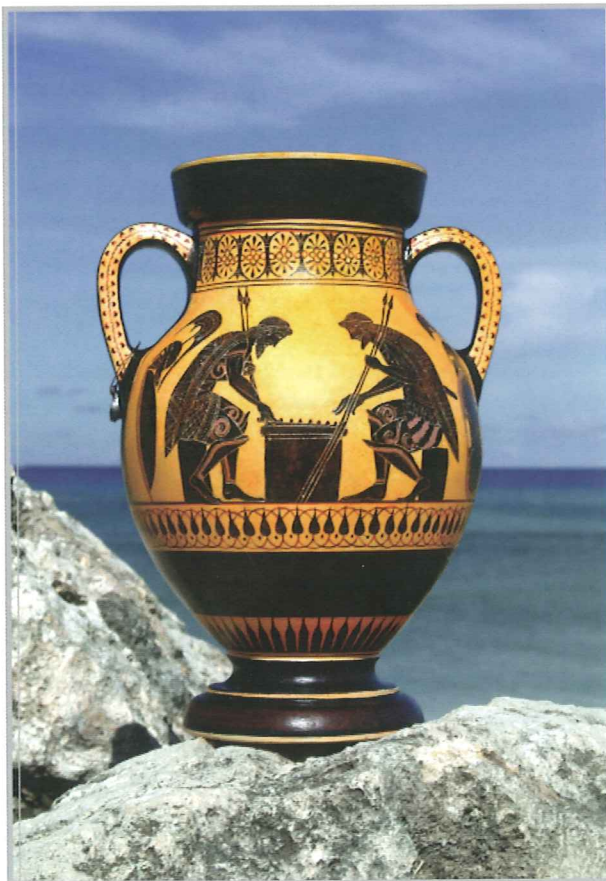
are remitted to the UK.

An added benefit of using a Barbados insurer is that policy investments may benefit from the reduced withholding tax rates provided under Barbados' tax treaties. Policyholders may therefore enjoy higher net investment returns than with an insurer located in a non-treaty country.

Competitive Rates

Premiums paid under an insurance policy on the life of a non-resident of Barbados are not subject to Barbados premium tax and can be invested without suffering Barbados tax. Because of this favourable fiscal environment, Barbados insurers can offer very competitive insurance rates to foreign clients, which can translate into significant savings over the term of the policy.

In summary, the investment freedom, wealth preservation, tax and pricing features of Barbados life insurance make it a very attractive estate planning tool for Canadian and UK residents. *



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We provide cutting edge life insurance solutions to high-net-worth families around the globe. In doing so, we help them not only to preserve what they have but to increase it.

In the hands of our team of financial experts, life insurance becomes a powerful strategy for preserving wealth. It protects our clients' capital and creates tax benefits as well.

Our philosophy is that wealth preserved is wealth deserved. We think the ancient Greeks would agree.



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