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LLBH Private Wealth Management LLC

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“What can a ‘virtual family office’ do for off-shore investors?”

By Bill Loftus and Sarah Simon

With world markets becoming increasingly accessible and intertwined, ultra-high net worth families across the globe are seeking access to investment and educational opportunities abroad, some specifically in the United States. To aid in these endeavors, a number of these families are seeking the same suite of services our virtual family office (VFO) offers domestic clients. Our VFO service model encompasses investment management, tax and legal advice, financial planning, real estate, insurance, concierge services and, for international clients, tax-efficient access to U.S. financial and real estate investments.

To illustrate the benefits of the VFO service model, let's assume we recently worked with the Wu family.¹ Mr. and Mrs. Wu, both 55, were born and raised in China and had two teenaged children interested in attending U.S. universities. The family's wealth stemmed from Mr. Wu's work in the steel business; his assets were tied up in his business, Chinese real estate and cash. He was looking to access U.S. markets and possibly emigrate here, with a focus on securing visas for his children.

While the Wu's wanted to access U.S. markets, they didn't want to become U.S. citizens subject to generation skipping transfer (GST)

taxes. We proposed working with a U.S.-based attorney to create an off-shore asset protection trust in the Caymans. The Wu's could then combine private placement life insurance (PPLI) and variable annuity vehicles, and other investments to achieve tax-free and tax-deferred growth in the off-shore trust. Through the utilization of an insurance dedicated fund, we could provide portfolios with best-in-class managers similar to those used by our U.S. clients but generally not accessible through Chinese banking institutions. **These services must be purchased through a U.S. intermediary with the appropriate structures to house the desired investment, tax and asset protection benefits.**

We also recommended that Mr. Wu fund a \$10 million PPLI policy owned by the family's Cayman Island trust. The assets could then be invested in his insurance dedicated fund. Assuming the assets remained in the policy within the trust, the family account would grow free from income, capital gain, estate and gift taxes. Assuming a 7 percent growth rate over 40 years, the balance is expected to increase to over \$60 million net of fees.

The Wu's also wanted to diversify real estate holdings outside of China: We would tap our network of real

estate agents to find the Wu's a premiere New York town home and a Los Angeles commercial property. Because U.S. real estate is a U.S. "situs asset" for estate, gift and GST purposes, a nonresident alien is subject to estate tax for any value over \$60,000. **We advised that the Wu's create an international business company (IBC) capitalized with dollars to acquire the real estate.** We would coordinate with the Wu's law firm to avoid the U.S. tax system, while still allowing them to own U.S. real estate and diversify their current asset base.

As mentioned, the Wu children wanted to attend top-tier U.S. universities. We would work with admissions consulting firms to guide them with SAT/ACT prep, development of their personal stories, school selection, recommendations and résumés. Additionally, we would work with a top legal immigration team to secure their visas.

After getting to know the Wu family and their objectives, we had the ability to create a comprehensive blueprint that met their needs in a tax-efficient way. We served as the family's chief financial officer and worked with their other trusted advisors to implement a plan of action. Each client situation is different, but the Wu's exemplifies how we can help. ☺

¹The Wu family illustration represents a composite of service offerings historically offered to our U.S. based clients. Wu is a fictitious name and is not meant to represent an existing client. The information contained herein should not be construed as personalized investment advice, and should not be considered as a solicitation to buy or sell any security or engage in a particular investment strategy. Past performance is no guarantee of future results, and there is no guarantee that the views and opinions expressed in this newsletter will come to pass. Investing in the stock market involves gains and losses and may not be suitable for all investors.

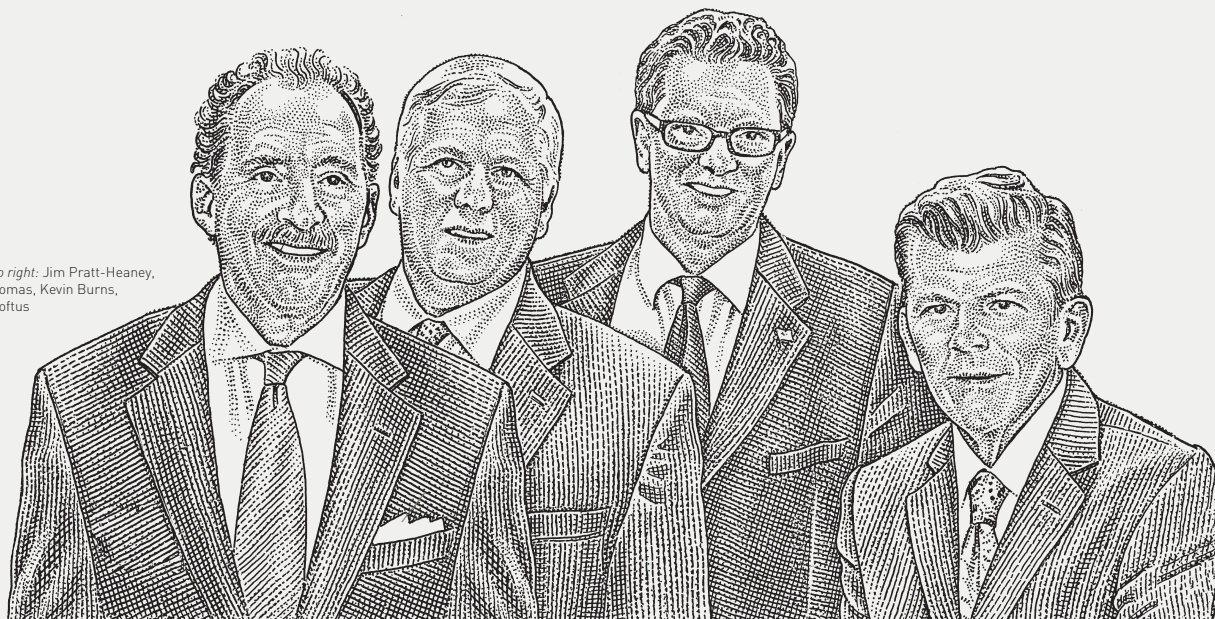
“We served as the family’s chief financial officer and worked with their other trusted advisors to implement a plan of action.”

—Bill Loftus

How to reach **Bill Loftus and Sarah Simon**

We look forward to discussing how LLBH can help you reach your financial goals and can be reached at 800.700.5524.

Left to right: Jim Pratt-Heaney, Bill Lomas, Kevin Burns, Bill Loftus



About LLBH Private Wealth Management LLC

LLBH Private Wealth Management LLC is an independent registered investment advisor offering a full range of wealth management and family office services including financial planning, asset management, concentrated stock hedging, lending, cash management and alternative investment due diligence. Often referred to as a virtual family office, LLBH delivers these myriad solutions to its clientele to help bring clarity and control to their financial lives. From its base in Westport, Conn., LLBH provides these services to wealthy families across the country and has a significant West Coast presence focused on the entertainment industry. LLBH works with approximately 140 families approaching \$1.6 billion in assets under advisory.

Assets Under Management
\$1.6 billion (approximately, as of 9/30/2014)

Minimum Fee for Initial Meeting
None required

Minimum Net Worth Requirement
\$10 million (investment services)

Largest Client Net Worth **\$1 billion**

Financial Services Experience
200 years (combined)

Compensation Method **Asset-based**

Primary Custodian for Investor Assets **Pershing, A BNY Mellon Company**

Professional Services Provided

Financial planning, asset management, concentrated stock hedging, lending, cash management, alternative investment due diligence and family office services

Association Membership **Financial Planning Association, Investment Management Consultants Association**

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