

24/04/2018

Market: all



## Diversification of underlying assets in Life Insurance Policies

### ETFs for better diversification of your life portfolio?

#### What is an ETF ?

An Exchange Traded Fund (ETF) is a publicly traded instrument which, without active management, tracks or replicates certain assets (for example, commodities) or a stock market index.

It is a fund, the objective of which is to replicate the movements, up or down, of highly diversified underlying assets, such as:

- indexes or sets of indexes (CAC40, EURO STOXX 50, DOW JONES IA)
- shares

- bonds
- derivative products
- commodities.

Such funds can be traded on a daily basis, just like shares, and thus are different from traditional funds (equity funds, bond funds, etc.).

There is no subscription fee, but transaction costs are applied to each buy/sell transaction.

#### Advantages and disadvantages of ETFs

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<ul style="list-style-type: none"><li>• They have lower costs than traditional funds</li><li>• They make it easier to diversify a portfolio because it is possible to invest across a whole market</li><li>• They make it possible to invest in highly specialised and varied sectors</li><li>• They may be traded daily</li><li>• There is no sharing of fees or commissions</li></ul>	<ul style="list-style-type: none"><li>• They cannot outperform the market because they replicate the performance of the underlying assets being tracked.</li><li>• Too many transactions may have a negative impact on performance</li></ul>

In particular, investors appreciate the transparency of these products, their flexibility as a portfolio management tool, and the low level of commissions.

#### ETFs and life insurance policies

ETFs can be included in all types of life insurance policy vehicles depending on their eligibility. For example, it is possible to find UCITS ETFs in the range of external funds<sup>1</sup> with Baloise Vie Luxembourg. ETFs also enable wealthier clients, with a Type D<sup>2</sup> contract,

to diversify a portfolio and to access markets such as those for gold, cotton or coffee: commodities which would not be available directly as they are not considered to be securities within the meaning of the law.

<sup>1</sup> Please refer to the list of funds and KIDs available on the Baloise Vie Luxembourg website. This list may vary depending on the policyholder's country of residence. Baloise Vie Luxembourg is also offering a ProFolio ETF Friendly life insurance policy that includes UCITS ETFs.

<sup>2</sup> For subscribers investing a minimum of EUR 1,000,000 in all their policies with the insurance company and declaring that they have a fortune, in securities, of or greater than EUR 2,500,000. For subscribers investing a minimum of EUR 1,000,000 in all their policies with the insurance company and declaring that they have a fortune, in securities, of or greater than EUR 2,500,000.



## Example of ETF and eligibility within a life insurance policy

	UCITS ETFs	Index ETFs	Derivatives ETFs	Commodities ETFs
External funds	✓	✓	✗	✗
FIC N	✓	✓	✗	✗
FIC/FID/FAS type A	✓	✓	✓	✗
FIC/FID/FAS type B	✓	✓	✓	✗
FIC/FID/FAS type C	✓	✓	✓	✗
FIC/FID/FAS type D	✓	✓	✓	✓

*This table is given as an example and contains a non-exhaustive list of ETFs accepted as part of an insurance policy. We remind you that the assets underlying the life insurance policy are subject to the regulations of Schedule 1 of Circular Letter 15/3 of the Commissariat aux Assurances (the Luxembourg Insurance Commission).*

The inclusion of an ETF in a life insurance policy permits greater diversification of its assets, especially for type D clients (with the possibility either to sub-contract the management of its investments to a specialist - management under mandate - or to manage them directly with an FAS, depending on the country of residence of the subscriber).

The life insurance policy therefore remains an ideal estate and wealth planning tool which also makes it possible to diversify its assets. Moreover, depending on the country of residence, it can provide unparalleled operational agility and reduce inheritance fees, and is tax efficient.

If you would like to know more about ETFs and how to include them in a life insurance policy, contact us for more details.

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