

## The dedicated umbrella fund: a family wealth planning tool

Wealth Planning department  
[www.baloise-international.lu/contact](http://www.baloise-international.lu/contact)  
28/03/2022



The umbrella dedicated fund within a life insurance policy is a particularly interesting planning tool for optimising assets between generations.



As a centre for international financial expertise, Luxembourg attracts families and business owners seeking innovative solutions to meet their wealth planning needs.

One such solution is the dedicated umbrella fund (or dedicated family fund) which was introduced in Luxembourg by Circular Letter 01/8 from the Commissariat aux Assurances relating to the investment rules for life insurance products linked to investment funds.

This planning tool is of particular interest in cases where, for example, a family which owns a certain number of assets (financial or not) wishes to transmit this inheritance with a view to intergenerational optimisation and legal certainty.

### Dedicated umbrella fund framework

Luxembourg regulations on life insurance contracts enable several policies to be backed by a single dedicated internal fund (a 'dedicated internal umbrella fund' or a 'dedicated internal family fund') in compliance with the following conditions:

- The different policies must be subscribed:
  - by the same policyholder or
  - by different policyholders linked by marriage or by close family ties (up to the third degree)
- The value of each contracts must meet the minimum criteria established, namely €125,000 for each dedicated fund
- The same investment management contracts must be followed for all the policies associated with the dedicated fund
- The notification of the dedicated umbrella fund is sent to the Commissariat aux Assurances by the insurer

Note: if the policyholders to the different contracts backed by the same dedicated umbrella fund have different risk profiles, usually the most prudent profile which should be used to determine the fund's management strategy.

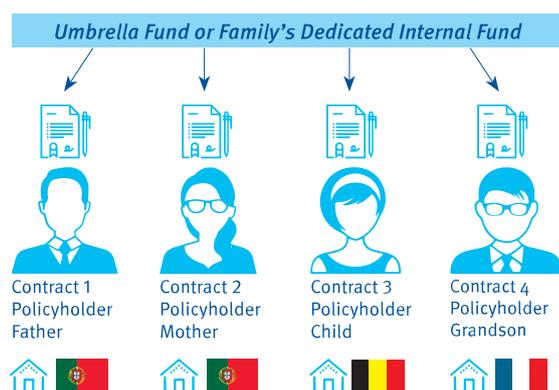
## Practical example

Family B is composed as follows:

- Mr B, father, resident in Portugal
- Mrs B, mother, resident in Portugal
- Miss B, daughter of Mr and Mrs B, resident in Belgium
- Mr D, son of Miss B, resident in France

Each of them subscribes a life insurance contract and requests that the policies be backed by the same dedicated fund, i.e. a dedicated umbrella fund.

Between the grandparents (Mr and Mrs B) and their grandson (Mr. D) there are three degrees of relationship. Each one has his/her own policy and may fine-tune it (in particular by drafting personalised beneficiary clauses) to meet his/her own needs and financial objectives.



## The advantages of choosing a dedicated internal family fund

Properly structured, the dedicated internal umbrella fund makes it possible to secure and preserve the family inheritance and pass it on to future generations in a concentrated, controlled and progressive way.

Indeed, this tool offers the ability to link different insurance policies to a single dedicated fund without constraint, even if the policyholders are resident in different countries. Since dedicated internal funds are subject to Luxembourg legislation as regards investment rules<sup>1</sup>, they do not interfere either with the taxation of the country of residence of the various members of the policyholder's family, or the selected contractual law.

For these reasons, the use of several policies, combining different policyholders, insured persons and beneficiaries, enables inter-generational and international or cross-border planning, thanks to a controlled risk management strategy.

Of course, dedicated umbrella funds are not the only insurance tool of interest in Luxembourg for structuring and planning family inheritance. For this purpose, each family must be advised individually in order to determine the solution which best meets their objectives.

Baloise Vie Luxembourg has a team of specialists in the structuring of insurance products. Please contact us for more information on the different options for asset planning using a unit-linked life insurance policy, and the advantages of the solutions offered by the company.

<sup>1</sup> Circular letter 15/3 from the *Commissariat aux Assurances* which applies to this type of underlying assets

### Disclaimer

This document was drawn up in March 2022 based on information validated at that date.

This document is of a general nature only. Baloise Vie Luxembourg S.A. does not give any legal or tax advice or any other advice of any kind whatsoever in this document. Clients are urged to seek advice from independent advisers.

Although the information contained in this document comes from reliable sources, Baloise Vie Luxembourg S.A. does not vouch for its correctness, accuracy, pertinence or exhaustiveness or its being up to date in respect of the personal situation of each subscriber. Consequently, Baloise Vie Luxembourg S.A. declines all liability in the event of error, misprint or misinterpretation of the information contained in this document.

All author's rights in this document are the property of Baloise Vie Luxembourg S.A. It may not be disseminated in any form whatsoever without the prior agreement of Baloise Vie Luxembourg S.A.

[www.baloise-international.lu](http://www.baloise-international.lu)

| Baloise Vie Luxembourg S.A. | 23, rue du Puits Romain | L-8070 Bertrange |  
| Tél. +352 290 190-1 | Fax: +352 290 190 462 | [www.baloise-international.lu](http://www.baloise-international.lu) |

Follow us on [baloise vie international](https://www.linkedin.com/company/baloise-vie-international)