

Life insurance as a wealth structure

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

Life insurance policies, in particular unit-linked policies whose value depends on a portfolio of investments, are used by wealthy families as an instrument of wealth planning. The policyholder pays a premium, often a single large premium, which the insurer invests in a dedicated portfolio. The policy pays a benefit on the death of the insured person or at maturity. Such policies are offered by insurers in Liechtenstein, Luxembourg, Ireland and Switzerland. Depending on the laws of the policyholder's country of residence, they can offer advantages in succession planning, in the protection of assets and in taxation.¹

In Switzerland, the tax treatment of life insurance depends on the type of policy. The benefits of capital insurance with a savings component financed by a single premium are tax-free only if the policy serves pension purposes, meets certain conditions on its duration and on the age of the insured person, and was concluded before the insured person reached a certain age. Otherwise the income component is taxable.² The surrender value of a policy is subject to the wealth tax. For families that move to Zug with existing insurance policies, the review of their Swiss tax treatment is part of the practitioner's work. The requirements of the insurance supervision law and of the anti-money-laundering rules apply to their administration.

1 Notes

1. Daniel Koller, "Lebensversicherung: Generationenübergreifende Vermögensplanung", Liechtenstein Finance, 7 February 2024, finance.li: Liechtenstein law permits unit-linked and fund-linked life insurance, premiums may be paid in securities, and properly structured contracts often qualify for reduced taxation or exemption of the benefits in many jurisdictions. Baloise Vie Luxembourg, baloise-life.com: Luxembourg unit-linked contracts serve asset management and succession planning under the law of the policyholder's country of

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residence, with free choice of beneficiaries, the Luxembourg protection system including the super privilege of policyholders, tax neutrality in Luxembourg for non-residents and links to external, internal collective or internal dedicated funds. Irish and Swiss insurers were not separately checked. ↩

2. Art. 20 para. 1 lit. a DBG (SR 642.11), text via swissrights.ch: income from surrender-value capital insurance with a single premium is taxable unless the insurance serves pension purposes, which is assumed where the benefit is paid from the insured person's 60th birthday on the basis of a contract of at least five years concluded before the 66th birthday. Art. 24 lit. b DBG exempts the proceeds of surrender-value private capital insurance, subject to Art. 20 para. 1 lit. a. ↩

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