Editorial comment

Aidan Golden
Head of Group Technical Services

Welcome to the Autumn 2025 edition of NAVIGATOR.

This edition marks one year since we launched NAVIGATOR. Over the past 12 months, it has evolved into a practical tool for advisers, offering technical insight, planning ideas and jurisdictional updates that support client conversations. The feedback has been strong, and it's clear that NAVIGATOR is now part of the advisory toolkit.

Our **Technical Spotlight** this quarter focuses on **controlled distribution** – a growing priority for high-net-worth families seeking to manage succession with clarity and control. In this context, we explore how insurance-based solutions are being used to structure wealth transfer in Spain, Belgium and Luxembourg. **Case Study Insights** further illustrate how clients are applying these techniques in practice.

We also introduce **NAVIGATOR Voices**, a new section dedicated to interviews with subject matter experts. I sat down with **Stephen Atkinson** to discuss how tax authorities are intensifying surveillance of high-net-worth individuals using AI, automation and international data sharing – a timely topic for advisers navigating today's compliance landscape.

Elsewhere, we cover crypto reporting, U.S. estate tax and the UK's upcoming pension changes – all part of a fast-evolving environment where transparency, accuracy and ethical planning are more important than ever.

Thanks for reading, and for being part of NAVIGATOR'S first year.

Aidan Golden
Head of Group Technical Services

Key articles in this issue

Regulation, Tax and Compliance

Marie Hainge
Technical Services Legal and Regulatory Adviser

Crypto Transparency Is Coming: CRS 2.0, CARF and Your Clients

The crypto-asset landscape has evolved from a niche asset class to a relatively mainstream investment, but regulatory and reporting frameworks have struggled to keep pace. Facing a potential loss of tax revenues, as well as market and customer risks, regulators and organisations are introducing new frameworks to counter these risks and modernise tax compliance.

Data Snapshot

- United Kingdom: **12% of UK adults report owning crypto (up from 10% in the prior survey).** [Source: Cryptoassets consumer research 2024 (Wave 5) On behalf of the Financial Conduct Authority Version 2 March 2025.]
- Worldwide: **In 2024 an estimated 562 million people (~6.8% of the world's population) own cryptocurrency.** [Source: Triple-A Cryptocurrency Ownership Data – accessed 07 October 2025.]

CRS 2.0 Enhancements

The OECD's Common Reporting Standard (CRS) requires financial institutions to collect and report information on account holders to their local tax authority. Once filed, this information is automatically exchanged with the tax authority where the account holder resides.

The framework focuses on traditional financial assets and currencies, but has now been expanded to cover new financial instruments such as central bank digital currencies and electronic money products that were not previously included in the reporting framework. The CRS also now covers indirect investments in crypto-assets through derivatives and investment vehicles.

The Crypto-Asset Reporting Framework (CARF)

The challenge that crypto-assets presents for tax authorities is that the location of the assets is obscured. They can be traded without the involvement of traditional financial intermediaries or central administrators, which means there is little visibility into holdings or transactions. To address this, the OECD has created the Crypto-Asset Reporting Framework (CARF). This will allow for the annual automatic exchange of information on transactions in crypto-assets with the taxpayers' jurisdictions of residence. Reporting Crypto-Asset Service Providers (RCASPs), such as intermediaries and exchanges, must collect user information, including name, address, tax residence, and Tax Identification Number (TIN), and report transactions made by users with a nexus in a signatory country.

What CARF Covers

The scope of crypto-assets to be reported under CARF includes assets that are held and transferred through distributed ledger technology, such as stablecoins, certain non-fungible tokens (NFTs), and derivatives issued in the form of a crypto-asset. Crypto-assets that have limited tax compliance risks are excluded.

Timelines

Over 50 jurisdictions have committed to implementing CARF from 1 January 2026, with the first exchange of information due by 2027. For example, in the UK, CARF regulations were made on 24 June 2025. In the European Union (EU), the Directive on Administrative Cooperation (DAC) was updated to reflect these changes (known as DAC8), with EU countries having to transpose it into national law by 31 December 2025.

What This Means for Your Clients

The changes to the CRS and the new CARF framework are expected to significantly strengthen the ability of tax authorities to enforce existing tax regimes. This could lead to tax authorities issuing 'nudge letters' to individuals.

In the UK, the sale, exchange, and gifting of crypto-assets is subject to Capital Gains Tax (CGT), while the receipt of such assets through income-generating activity, such as employment or mining, is subject to Income Tax and National Insurance Contributions (NICs). Clients with current or historic crypto-asset holdings may want to revisit their tax declarations to ensure that any errors or omissions have been corrected in advance of the new reporting.

Indirect holdings in crypto-assets through funds and other investment vehicles, where they are part of a fund's investment strategy, are already subject to reporting under the CRS. Where such funds are held as underlying investments of insurance products, reporting is at the policy level by the insurance carrier.

Key Takeaways for Advisers

- The Crypto-Asset Reporting Framework (CARF) is a new global standard for the automatic exchange of tax information on crypto-assets.
- The CARF significantly expands reporting obligations to cover transactions, rather than just holdings, including exchanges and transfers of crypto-assets.
- The scope of CARF extends to a wide range of crypto-assets, including stablecoins, derivatives, and certain non-fungible tokens (NFTs).
- Tax authorities will be better equipped to enforce tax compliance, and clients with crypto-assets may receive 'nudge letters' prompting them to review their tax declarations.
- The new rules will come into effect in most jurisdictions from 1 January 2026, with the first exchange of information scheduled for 2027.
- EU countries must transpose DAC8 into national law by 31 December 2025, ahead of the CARF implementation timeline.

Brendan Harper
Head of Asia and HNW
Technical Services

UK First Tier Tribunal Confirms Expatriate Pension Not Taxable in UK

The UK First Tier Tribunal case (Trevor John Masters v HMRC [2025] TC09607) has ruled that a Portuguese resident claiming Non-Habitual Resident (NHR) status and drawing income from a UK self-invested personal pension (SIPP) can claim relief from UK tax under the UK-Portugal Double Tax Treaty.

This is welcome news, especially for expatriates who reside in countries with special expatriate tax regimes, or where there are no personal taxes.

Why This Matters Now

In a world of increased mobility, many people who have accrued UK pension entitlements are choosing to retire outside the UK. Some popular retirement jurisdictions offer attractive tax regimes with low tax rates, or no tax at all, on foreign pension income. Where such a jurisdiction also has a double tax treaty in which the UK gives up its taxing rights over UK pension income, the retiree's pension income is completely tax free. This case is relevant to those individuals and, whilst the judgement is to be welcomed, the case contained some warning signs that could trap the unwary.

The Facts

- The taxpayer had accrued defined benefits pension entitlements in his employer's pension scheme.
- In 2016, he transferred the value (just under £6 million) to a SIPP.
- The taxpayer later moved to Portugal and was registered for the NHR regime in 2019 and 2020.
- At this time, the NHR regime allowed individuals to benefit from tax exemption on non-Portuguese pension income for 10 years (later changed to a 10% tax rate for those acquiring NHR status from 1 April 2020).
- In the 2019/20 tax year, the taxpayer withdrew £3.5 million from the SIPP. UK tax of around £1.5m was withheld at source, which the taxpayer reclaimed under Art.17 of the UK-Portugal double tax treaty.
- HMRC denied his claim, and the taxpayer appealed to the First Tier Tribunal.

The key argument presented by HMRC was that the pension payments were not "paid in consideration of past employment", which is a requirement of Art.17 of the treaty to ensure that the pension would only be taxable in Portugal, and not in the UK.

HMRC argued that, by transferring the pension to a SIPP, it had lost its "relevant causal connection" to the original employment and could therefore be taxed in the UK.

The tribunal disagreed with HMRC's stance and ruled in favour of the taxpayer.

In reaching their conclusion, the Judges took some important factors into account, such as:

- A clear link between the original pension fund and previous employment, including the fact that contributions had been made by the employer, and by the employee via salary sacrifice.
- No further contributions were made to the SIPP following the end of the taxpayer's employment.
- The period between transfer and drawing the pension was only 4 years.

Implications for Expatriate Pension Planning

If the judgement had gone in favour of HMRC, there could have been serious consequences for many expatriates who had transferred their occupational pension to a SIPP, especially those living in countries with similarly worded double tax treaties.

However, while this is positive news, it should not be assumed that all UK pensions will benefit from treaty relief, as there must be a strong link to a past employment.

An opinion expressed by the Judges suggests that the position could have been different if the member had received their salary and then made contributions instead of using salary sacrifice. There is a subtle difference between these two funding methods, and this case highlights a potential trap for the unwary.

Particular care should be taken where the individual resides in a country with similar tax advantages to the former Portuguese NHR regime, or where there are no personal taxes.

Key Takeaways for Advisers

- **Confirm the employment link:** Treaty relief depends on pensions being "paid in consideration of past employment".
- **Review funding history:** Salary sacrifice may strengthen the employment connection more than post-salary contributions.
- **Assess treaty wording:** Similar cases may arise in jurisdictions with comparable treaty language to Portugal.
- **Don't assume all pensions qualify:** Each case must be reviewed individually, especially where SIPPs are involved.
- **Coordinate with tax counsel:** Cross-border pension planning requires careful legal and treaty interpretation.

Peter Tung
Tax and Legal
Counsel – Asia

U.S. Estate Tax for Non-Resident Aliens: Key Facts and Planning Opportunities

Non-resident aliens (NRAs) face a starkly different U.S. Estate Tax regime than citizens, with only a $60,000 exemption compared to nearly $14 million for U.S. persons. From 2026, the U.S. exemption rises to $15 million per person, but the NRA threshold remains unchanged.

For Asian families, where estate or inheritance taxes are rare, this can create an unexpected liability from relatively small U.S. exposures. Insurance-based solutions, including those offered by Utmost, can help manage exposure, mitigate risk and preserve wealth across borders.

The Big Picture

In 2025, U.S. citizens enjoy a $13.99 million exemption, and under the "One Big Beautiful Bill Act", this exemption rises to $15 million per individual in 2026, indexed for inflation. NRAs, however, remain capped at $60,000, unchanged for decades. For globally mobile families and cross-border investors, this disparity means even modest U.S. exposure can create significant tax costs on death.

Who Is Caught?

A non-U.S. individual – often referred to as a "non-resident alien" (NRA) under U.S. tax rules – is someone who is neither a U.S. citizen nor domiciled in the U.S. Upon death, only their U.S.-situs assets are subject to U.S. Estate Tax.

These typically include:

- Shares of U.S. companies
- Certain U.S. debt
- Tangible property located in the U.S. (e.g., real estate, art)

Assets typically excluded:

- Non-U.S. securities and overseas real estate
- Life insurance proceeds on the life of a non-U.S. individual

Rules can vary by structure and by treaty. Always check specific circumstances.

Limited Treaty Relief

The U.S. has estate and/or gift tax treaties with only 15 countries, mostly outside Asia. Without treaty protection, even a small allocation to U.S. securities within a balanced portfolio may create Estate Tax exposure.

How Common Is the Estate Tax?

- A small fraction of estates pay Estate Tax: approximately 0.14%, or 1 in 700. (Source: TaxPolicyCenter.org)
- Yet, the Estate Tax raised $22.5 billion, much of it from non-U.S. estates (Source: IRS, Publication 5332 (Rev. 10 2024)).

Key takeaway: While few U.S. citizens are affected, Asian NRAs with modest U.S. exposure can be caught.

Why Insurance-Based Solutions Matter

For families with U.S. exposure, insurance-based solutions – such as those offered by Utmost – can play a central role in estate planning.

Non-US life insurance policies are not U.S.-situs assets, meaning that the benefits can pass from a NRA policyholder to beneficiaries free of U.S. Estate Tax.

When structured appropriately, Utmost's solutions can:

- Hold a diversified portfolio – including U.S. stock
- Provide liquidity to meet Estate Tax without forced sales
- Offer investment flexibility while retaining tax advantages
- Enable cross-border wealth transfer in a compliant, efficient manner.

Given the variation in U.S. legal interpretations, wealth managers should coordinate with cross-border tax counsel.

Conclusion

From 2026, U.S. citizens and domiciliaries will enjoy a $15 million exemption, while NRAs remain capped at just $60,000.

With proactive planning, particularly through insurance-based solutions, advisers can reduce or eliminate U.S. Estate Tax exposure for clients while preserving flexibility and liquidity for the next generation.

For globally mobile families, these strategies are not optional – they are essential tools to protect family wealth.

Key Takeaways for Advisers

When working with globally mobile families and NRA clients, advisers should:

- Audit U.S. asset holdings for NRA clients to map exposure.
- Check treaty coverage – if none, assume the U.S. $60,000 exemption.
- Model Estate Tax liability under current ownership.
- Evaluate insurance-based solutions like those from Utmost, where appropriate.
- Work with cross-border counsel to ensure compliance.

Technical Spotlight

Controlled Distribution

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Using Insurance for Controlled Distribution

Controlled distribution is an important objective in estate planning, particularly for high-net-worth individuals seeking to ensure that wealth is passed on in a structured, secure, and tax-efficient manner. Insurance-based wealth solutions offer a powerful and flexible way to achieve this.

Structuring Control Through Insurance-Based Solutions

Estate planning is not just about transferring assets on death. It's about ensuring that wealth is passed on in line with the testator's wishes, protected from disputes, and distributed in a way that reflects the family's values and circumstances.

Insurance-based wealth solutions can play a central role in this process. At a basic level, they provide liquidity to cover expenses or taxes, or deliver specific legacies. On a more sophisticated level, they enable controlled distribution through carefully worded policy terms, or in combination with structures such as trusts.

Controlled Distribution Through Policy Terms

An investment-linked life insurance policy with a beneficiary nomination can be a simple yet effective way to ensure that assets are distributed outside the estate, directly to chosen individuals or entities. In jurisdictions with strong beneficiary nomination frameworks, this approach can protect against challenges from creditors or unintended claimants.

Nominations can be straightforward – naming beneficiaries on a revocable or irrevocable basis to receive benefits immediately upon the policyholder's death. This avoids probate, which can be costly, time-consuming, and may expose private family matters to public scrutiny.

For clients with more complex needs, nominations can be drafted creatively to support long-term control:

- **Deferred death benefit clauses:** Benefits are paid in stages or at fixed future dates (e.g., on the beneficiary's 30th birthday).
- **Post-death transfer of policy rights:** Rights to maturity benefits, which vest at future dates, are transferred to the beneficiaries, with rollover options if funds are not needed upon vesting.
- **Contingent beneficiaries:** Upon death of a principal beneficiary, a nomination could bypass their spouse in favour of grandchildren, for example.
- **Quasi-usufruct arrangements:** Allows a principal beneficiary to use benefits during their lifetime, with a requirement to compensate secondary beneficiaries on death.
- **Lifetime policy gifts with access restrictions:** Policies can be gifted during the policyholder's lifetime, with access restrictions embedded in the policy terms or through retained powers.

These techniques are particularly useful in jurisdictions where trusts are not recognised or where transfer taxes apply to trust creation. They may also offer more favourable outcomes in relation to estate duties where nominations or deferred benefits are recognised.

Combining Insurance with Trust Structures

Where more sophisticated planning is required – such as accumulating wealth for future generations or managing complex family dynamics – insurance can be combined with a discretionary trust.

A discretionary trust offers maximum flexibility. No individual has a fixed entitlement, allowing trustees to manage and distribute assets in line with a non-binding letter of wishes from the settlor. When paired with an insurance contract, the structure becomes even more effective.

Benefits Of Combining Insurance with a Trust

Simplified Administration

Holding assets via an insurance contract simplifies trust administration. Income and gains are not reportable until a withdrawal is made, and CRS reporting is handled by the insurer.

Tax Efficiency

Although a trust can be domiciled in a tax-friendly jurisdiction, beneficiaries will often reside in high-tax jurisdictions with anti-avoidance rules that may seek to tax underlying trust income and capital gains directly on beneficiaries, sometimes with tax penalties attached (e.g., Australia, the UK, the U.S.). Properly structured, insurance can act as a "tax blocker", restoring gross roll-up and mitigating punitive taxation on trust distributions.

Enhanced Liquidity

High death benefits can provide liquidity to trustees upon the settlor's death. This can be used to pay taxes, equalise inheritances, or to boost the value of the trust fund for the family.

In some cases, a policy may be held in an individual's name, with a trust nominated as the beneficiary. These "pilot trusts" are particularly useful where individual ownership is more tax-efficient or where the policyholder wishes to retain control during their lifetime. Upon death, the policy proceeds are paid into the trust, creating a centralised pool of family wealth managed in a neutral, controlled environment.

Key Takeaways for Advisers

- **Use insurance to support structured succession:** Insurance-based wealth solutions offer flexible tools for controlled distribution, both during life and after death.
- **Draft beneficiary nominations strategically:** Creative policy terms can support long-term control, privacy and tax efficiency – especially in civil law jurisdictions.
- **Consider alternatives to trusts:** In jurisdictions where trusts are not recognised or are tax-disadvantaged, contract-based planning offers a practical solution.
- **Enhance trust planning with insurance:** Combining insurance with discretionary trusts simplifies administration, improves tax outcomes and provides liquidity.
- **Tailor solutions to client needs:** Whether the goal is privacy, control, or intergenerational planning, insurance contracts can be adapted to meet complex family objectives.

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Controlled Wealth Succession in Spain with Unit-Linked Life Insurance

Unit-linked life insurance contracts can be a powerful instrument for estate planning in Spain. When a policy includes special conditions, for example, staggered access to the insurance benefits or deferred termination, families can time and control the transfer of wealth to future generations in a controlled manner.

Strategic Use of Special Conditions

Standard unit-linked life insurance contracts pay out on death of the last surviving life assured (whole of life policy), or upon termination or maturity in the event of survival, (mixed-term policy).

Adding special contractual clauses, such as deferred or staggered termination provisions or conditional access to the insurance benefits, turns a standard policy into a very powerful, flexible and multi-generational planning tool.

These special conditions can make unit-linked life insurance look like a European alternative to trusts, while staying aligned with Spanish law and providing the required peace of mind to high-net-worth families in Spain about its treatment.

Tax Deferral and Legal Framework

The Spanish General Directorate for Taxation (GDT) has provided valuable guidance that supports the deferred nature of the insurance benefit when certain rights are suspended due to conditions. It has clarified in some binding tax rulings that if the effectiveness of acquiring the right to policy termination is subject to a condition or term, the taxable event is deferred until such condition or term is fulfilled.

This opens the door for high-net-worth individuals to structure unit-linked life insurance contracts that align with their family governance models, while complying with Spanish tax and legal regulations. This way, they allow beneficiaries to be better prepared to receive a significant wealth transmission, when appropriate.

What Can Be Included as Special Conditions?

- Age-based or time-based beneficiary conditional access to the insurance benefits.
- Access to the insurance benefits conditional to the beneficiaries meeting certain objective circumstances.
- Successive ranking of appointed beneficiaries. Retention of control and liquidity during the life of the policyholder.

Key Advantages

1. **Controlled access to wealth:** These contracts can be structured to provide beneficiaries with limited or staggered access to capital, such as access after reaching a certain age or after meeting certain conditions, ensuring a gradual and responsible transfer of financial resources. Policyholders can determine the exact timing and conditions under which beneficiaries will have access to the money, securing a controlled wealth transmission to the next generation.
2. **Immediate but structured gifting:** The policyholder can transfer ownership of the contract early in life, securing a favourable Spanish gift tax treatment (depending on applicable regional rules) while still embedding restrictions that align with their long-term family planning goals.
3. **Tax efficiency for policyholders:** Capital invested in a unit-linked life insurance policy benefits from personal income tax deferral until a surrender or withdrawal takes place.
4. **Tax efficiency for beneficiaries:** Including special conditions can allow time for beneficiaries to plan the receipt of wealth in a more tax efficient way, potentially benefiting from more favourable inheritance and tax regimes, without triggering immediate taxation.
5. **Flexibility and continuity:** These policies can cover multiple lives assured and remain active across generations, ensuring long-term asset management and continuity of investment strategies.
6. **Asset protection:** Properly structured, the assets within the contract can be shielded from fragmentation, premature distribution, or inefficient liquidation, supporting long-term family governance.

Case Study Insight

For a real-world example, see the case study *"A Spanish Grandmother's Legacy: Deferred Inheritance Through Life Insurance".*

Discover how a €5 million policy was structured to defer wealth access for grandchildren until age 30, with a 5-year post-mortem planning window.

Visit the Case Study Insights section below or click here.

Unit-Linked Life Insurance as a Dynamic and Controlled Estate Planning Tool

Unit-linked life insurance, especially when enhanced with special conditions, is more than just a life insurance contract; it is a strategic estate planning tool for high-net-worth families in Spain.

Whether the goal is to protect the family wealth, have more control on timings and money access, tax efficiency, or ensure a smooth generational wealth transition, these contracts can be structured to meet the unique needs of wealthy families across jurisdictions and particularly in Spain.

Key Takeaways for Advisers

- **Explore special conditions in unit-linked contracts:** Staggered access, deferred termination and conditional beneficiary clauses can support controlled wealth succession in Spain.
- **Use contractual structuring to mirror trust-like outcomes:** These techniques offer control and flexibility while remaining compliant with Spanish legal frameworks.
- **Leverage favourable tax treatment:** Spanish tax rulings support deferral of taxable events when access to benefits is conditional, enabling more efficient planning.
- **Plan for responsible wealth transfer:** Age-based or circumstance-based access helps prepare beneficiaries and align with long-term family governance goals.
- **Support continuity across generations:** Policies can remain active over multiple lives assured, preserving investment strategy and family wealth.
- **Protect assets from fragmentation:** Proper structuring can shield capital from premature distribution or inefficient liquidation.

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Belgium and Luxembourg

How Life Insurance Can Simplify Controlled Inheritance Planning in Belgium and Luxembourg

Controlled distribution after death is a common requirement in succession planning for Belgian and Luxembourg residents. While many opt for complex and costly structures, they often overlook the effective and straightforward tools available under local insurance law. In particular, the *post-mortem agreement*, which enables the transfer of rights under a life insurance contract after the policyholder's death, and the *accepting (irrevocable) beneficiary clause* offer powerful options for orderly succession planning.

Why Gifts Are Not Always the Answer

Succession planning through lifetime gifts is a well-established practice in Belgium and Luxembourg. Donors often attach conditions to gifts to retain a degree of control and prevent beneficiaries from misusing the assets. However, many high-net-worth individuals (HNWIs) choose not to make gifts during their lifetime – perhaps because heirs are too young or perceived as financially irresponsible.

The Case for Post-Mortem Control

This raises the question: can the same level of control be maintained after death? To achieve this, individuals often turn to complex structures such as a partnership, a company or a foundation. Yet, Belgian and Luxembourg insurance law offers lesser-known but highly effective alternatives through life insurance contracts, which can deliver similar outcomes with greater simplicity.

Transferring Rights After Death

Under both jurisdictions, policyholders hold key rights within life insurance contracts. These include the ability to determine or change the investment profile, surrender the policy, and designate beneficiaries. Importantly, these rights can be transferred to a third party, not only during the policyholder's lifetime but also after their death.

To enable post-mortem transfers, the life insurance contract must remain in force following the policyholder's death. This requires the designation of at least one additional life assured.

In such cases, the policyholder's rights do not fall into the estate but are instead transferred according to a ***post-mortem appendix*** – a contractual addendum specifying the recipient of these rights. This appendix only takes effect upon death and can be amended at any time beforehand.

Designing A Post-Mortem Clause for Control

While often drafted as a straightforward transfer, the post-mortem appendix can be tailored into a powerful succession planning tool that offers very interesting possibilities for controlled distribution.

For example, it can stipulate that certain rights under the contract are temporarily transferred to a trusted individual. This person, appointed by the policyholder, supervises the distribution of the contract's benefits to the ultimate beneficiaries, in line with the policyholder's wishes.

To avoid inheritance tax implications for the trusted person, it is essential that the transferred rights do not include economic entitlements – such as the right to surrender the policy – but are limited to supervisory functions.

Case Study Insight

For a practical example of how these principles are applied, read the case study of Mr Janssens – *'Using A Post-Mortem Clause to Support Family Succession Goals in Belgium'* – in the Case Study Insights section.

The use of a post-mortem appendix highlights the powerful potential of life insurance contracts in achieving controlled distribution across generations.

Visit the Case Study Insights section below or click here.

The Power of the Accepting Beneficiary Clause

Another effective option is the use of an ***accepting (irrevocable) beneficiary clause***. This allows a beneficiary to be designated irrevocably, without necessarily being the sole or primary beneficiary. The terms of acceptance can be detailed in a separate annex, tailored to the family's specific needs.

Legal Considerations and Flexibility

For either approach to be effective, the relevant appendices must be carefully drafted. It is also important to consider the reserved portions of heirs. Belgian inheritance law, particularly following the 2018 reform, provides significant flexibility in this area.

A Practical Solution for Complex Family Dynamics

When advising HNWIs in Belgium or Luxembourg with complex family dynamics, it is worth exploring whether a life insurance contract can offer a solution for controlled post-mortem distribution. In many cases, the answer will be yes – making it possible to avoid more elaborate and costly structures. However, expert legal and technical advice remains essential to ensure the chosen strategy aligns with the client's objectives and complies with local law.

Key Takeaways for Advisers

- Life insurance contracts can offer elegant solutions for complex family succession planning.
- Post-mortem clauses and accepting beneficiary designations provide control without the need for costly structures.
- Planning should begin at the time of policy subscription to ensure flexibility and compliance.
- Always consult an expert in insurance law to tailor the solution to your client's specific needs.

NAVIGATOR VOICES

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The New Normal: How Tax Authorities Are Intensifying Surveillance of High-Net-Worth Individuals

In an era marked by rapid technological advancement and increasing global cooperation, tax authorities are transforming how they monitor and engage with high-net-worth (HNW) individuals.

In this interview, **Aidan Golden** sits down with **Stephen Atkinson, Global Head of Sales and Marketing** in Utmost, to examine the implications of these changes – from predictive analytics and adaptive AI frameworks to the growing scrutiny of digital assets such as cryptocurrency. Together, they unpack what this means for clients and advisers, offering us timely insights into how transparency, accuracy and ethical planning are becoming central pillars of sustainable financial strategy.

Q: What has changed in how tax authorities are approaching high-net-worth individuals?

The landscape has shifted significantly. While tax authorities have always monitored wealthy individuals, they are now doing so with far greater precision. The integration of artificial intelligence, automation and international data sharing has enabled authorities to move beyond reactive audits to predictive oversight. Even minor inconsistencies can now trigger deeper investigations.

Authorities are leveraging data analytics to identify patterns, automation to handle vast volumes of information and cross-border cooperation to track assets globally. Traditional audits still exist, but they are now more targeted and intelligent.

Q: What types of technology are being used in this new approach?

A wide array of technology is in play with new developments occurring at a fast pace. Optical Character Recognition (OCR) is used to digitise handwritten tax returns, while AI-powered pattern recognition algorithms flag anomalies in financial statements. Predictive analytics can help forecast non-compliance based on historical behaviour. More advanced tools use neural networks and data mining to uncover offshore fraud and complex ownership structures. Additionally, a newer framework known as Adaptive AI Tax Oversight is being implemented to enhance both accuracy and efficiency in fraud detection.

Basically, all areas of tax compliance are affected with the primary aim of identifying undeclared income or assets.

Q: Are there practical examples of these technologies being used by tax authorities?

Yes, I am hearing lots of examples where jurisdictions are already applying these tools. France uses aerial imagery and machine learning to detect undeclared swimming pools and property extensions. Spain employs AI chatbots to assist taxpayers and flag risky filings. Austria analysed 34 million cases last year and flagged over 375,000 for review using real-time risk scoring. Italy's VeRa algorithm compares tax returns with bank data and flagged over a million high-risk cases in 2022. The Netherlands is scraping online data to uncover hidden

ownership structures and undeclared income. Japan and Hong Kong have also enhanced digital reporting and automated compliance checks, particularly around cross-border wealth and digital assets.

Q: What about cryptocurrency? Is that receiving increased attention by tax authorities?

Absolutely. Cryptocurrency was once considered a blind spot, but that is no longer the case. Tax authorities are now using blockchain analytics to trace wallet activity and link it to real-world identities. The OECD has introduced the Crypto-Asset Reporting Framework and the EU's DAC8 directive mandates crypto platforms to report user data. Agencies such as the IRS and HMRC are actively targeting crypto-related tax evasion. For high-net-worth individuals, crypto is now a visible and monitored component of their financial footprint. If you are interested in this area, I recommend reading Marie Hainge's article on crypto legislation in this issue of Navigator.

Q: What does this shift mean for wealthy clients?

A: It means that visibility is now the default. Clients must assume that their financial activities are being tracked across jurisdictions. Errors, whether intentional or accidental, are easier to detect. Systems can cross-reference filings, bank data and public records almost instantly. Enforcement is faster too; what once took months can now begin within days of a filing. Advisers have a heightened responsibility to understand not only local tax regulations but also how client data is interpreted globally.

Q: What is the key takeaway for advisers in this new environment?

We are entering a new era of accountability. Advisers must adopt a compliance-first mindset. This involves regularly reviewing client wealth structures, ensuring accuracy across jurisdictions and staying informed about regulatory developments. Insurance-based wealth solutions, such as those offered by Utmost, provide transparency, regulatory alignment and long-term planning flexibility. Ultimately, sustainable wealth management now hinges on ethical planning and accurate reporting with successful advisers likely to be those who take a proactive approach.

Q: In closing, what's your one prediction about this new normal?

Taxpayers will move away from complex corporate multi-layered opaque structures to simple tax efficient solutions such as insurance-based wealth solutions.

Key Takeaways for Advisers

- **Expect increased scrutiny:** Tax authorities are using AI, automation and international data sharing to monitor HNW individuals with greater precision.
- **Review client structures regularly:** Even minor inconsistencies can trigger investigations; ensure accuracy across jurisdictions.
- **Stay ahead of crypto compliance:** Digital assets are now visible and monitored. Clients should revisit past declarations and plan proactively.
- **Adopt a compliance-first mindset:** Ethical planning and transparent reporting are now central to sustainable wealth management.
- **Simplify where possible:** Complex, opaque structures are falling out of favour; insurance-based wealth solutions offer clarity and control.

Country Focus

Glenn McIlroy
Utmost Technical Manager

UK: Pensions and IHT – What Advisers Need to Do Before 6 April 2027

From April 2027, unused pension funds will, for the first time, fall within the scope of UK inheritance tax (IHT). For many clients, this could mean an unexpected rise in their taxable estate and a smaller inheritance for their beneficiaries.

Pensions Are No Longer Untouchable

Since pension freedoms were introduced in 2015, many HNW clients have treated pensions less as a retirement income source and more as an inheritance tool.

The Institute for Fiscal Studies (IFS) found in 2023/24 that:

- 26% of high-value defined contribution pension holders withdrew less than 2% a year
- 30% withdrew just 2–4% a year

In other words, pensions were being preserved to transfer wealth tax-free. By bringing them into the IHT net (both UK pensions and QNUPS), the government's message is clear: pensions can no longer be left untouched. They must now sit at the heart of IHT planning.

What Can Be Done?

The new rules don't mean raiding pensions recklessly. They remain tax-efficient during a client's lifetime and vital for retirement income. But in the right circumstances, strategic withdrawals from pensions can reduce IHT exposure and strengthen family wealth planning.

1. Life Cover in Trust

Flexi-access drawdown can fund a whole of life policy in trust to meet IHT liabilities. If premiums qualify under the "normal expenditure out of income" exemption, they are immediately IHT-free.

2. Gifting In Retirement

Regular withdrawals from flexi-access drawdown can be gifted to beneficiaries. Where the same exemption applies, the IHT benefit is immediate. Advisers can also explore using the withdrawals to fund pensions for children or grandchildren, allowing them to secure income tax reliefs.

3. International Insurance Solutions for Lump Sums

Large one-off withdrawals, such as the pension commencement lump sum, are well suited to international insurance bonds in trust. This option removes value from the estate, grows tax-deferred, and allows efficient withdrawals within the 5% allowance. Segments can even be assigned to non-taxpayers to make full use of allowances.

4. For Non-Long-Term Residents

Non-long term UK residents are only liable to UK IHT on UK assets. UK pensions fall into IHT, but QNUPS do not. In practice, a non-LTR living in a tax-friendly jurisdiction such as the UAE may benefit from accessing their UK pension in full and placing the proceeds into an international insurance-based wealth solution, keeping wealth offshore and outside the IHT net.

Building Collaborative Advice

Clients will need more than financial planning alone. Advisers who work closely with solicitors and accountants will be best placed to deliver joined-up solutions.

- **Solicitors:** With personal representatives now responsible for calculating and reporting pension IHT, solicitors may need IFAs to value pensions or guide beneficiaries. They will also lead on updating wills and trusts, which should align with financial strategies.
- **Accountants:** IFAs can model the impact of drawdown and gifting, while accountants validate tax efficiency. Together, they can design remuneration, pension funding, and succession strategies that minimise IHT exposure.

By becoming the adviser who connects financial, legal, and tax advice, you make yourself indispensable – and open the door to referrals and new client relationships.

Act Now

While pensions entering the IHT net may look like a setback, they are really a disruptor. Traditional planning tools such as trusts, life cover, and particularly international insurance-based solutions remain powerful ways to manage exposure.

For advisers, this is the moment to lead the conversation. Show clients how to rethink pensions strategically, reposition tax-free cash, and keep wealth working for their families.

Don’t wait until 2027. Act now and keep your clients one step ahead.

Key Takeaways for Advisers

- **Assess client pension strategies now:** Identify clients preserving pensions for inheritance and evaluate how the 2027 IHT change may impact their estate.
- **Incorporate life cover in trust:** Use flexi-access drawdown to fund whole of life policies in trust, exempt from IHT under the “normal expenditure out of income” rule.
- **Encourage strategic gifting:** Support clients in making regular gifts from drawdown income, including funding pensions for children or grandchildren.
- **Use international insurance-based solutions for lump sums:** Reinvest pension lump sums into international insurance bonds in trust to remove value from the estate and enable tax-efficient withdrawals.
- **Collaborate with legal and tax professionals:** Work closely with solicitors and accountants to align financial planning with estate and tax strategies.

Benjamin Fiorino
Wealth Planner, France

France: Mitigating French Exit Tax: The Role of Life Insurance in International Mobility

The French Exit Tax can represent a significant challenge for internationally mobile clients with substantial investment portfolios.

By investing through an insurance-based wealth solution from the outset, clients can mitigate this key tax consequence associated with potential mobility – noting that UHNW individuals change jurisdiction on average three times in their lifetime. The key lies in the legal distinction between direct ownership of securities and the policyholder's creditor claim under an insurance contract.

Why It Matters Now

Global mobility among high-net-worth (HNW) and ultra-high-net-worth (UHNW) clients continues to rise. Moves to attractive destinations such as Portugal, Italy, or Switzerland remain common, but often trigger complex tax consequences.

The French Exit Tax, designed to capture unrealised gains when residents leave France, can create liquidity pressure and reduce cross-border flexibility.

Understanding this risk, and the strategies available to alleviate it, is essential to preserving client assets and trust.

Who Is in Scope

The Exit Tax applies to individuals who:

- Have been French tax residents for at least six of the 10 years prior to departure; and
- Hold either:
  - Financial assets exceeding €800,000, or
  - At least 50% of the rights in a company.

What Becomes Taxable at Departure

- Unrealised capital gains on securities
- Earn-out rights
- Deferred or suspended capital gains

Tax is either payable immediately or subject to deferral, depending on the destination country and applicable rules.

Planning With Insurance-Based Wealth Solutions

A crucial distinction exists in French tax law:

- Directly held securities fall within the scope of the Exit Tax.
- Policyholder claims under a life insurance policy do not.

When a client invests cash into a unit-linked life insurance contract and builds their portfolio within it, the assets are owned by the insurer and not directly by the client. Instead, the policyholder holds a personal claim (créance) against the insurer.

Because French tax law does not include such claims in the Exit Tax base, assets held within the insurance contract are outside the scope. This can significantly reduce the client's exposure when leaving France.

Case Study

Two individuals, both French tax residents for 10 years, each hold a €5 million portfolio with a 30% latent gain (€1.5 million). Both intend to relocate to Dubai, United Arab Emirates, to finish their careers before retiring in Portugal.

Individual 1

Holds a **Direct Portfolio Holding** at the time of leaving France

- Exit Tax applies on the €1.5 million gain.
- Using an illustrative 30% flat tax, the immediate liability would be €450,000 at departure.
- Deferral may be available but can require guarantees and ongoing reporting.
- Enforcement risks may persist after relocation.

Individual 2

Has invested through a **Life Insurance Contract** from the outset

- The investment was originally made in cash, and the portfolio is now structured within the life insurance policy.
- At exit, the client holds a creditor claim against the insurer, not the securities themselves.
- No Exit Tax applies on the €1.5 million latent gain.
- The policy continues to grow in a tax-deferred environment, with benefits for wealth transmission and international portability.

Outcome

The insurance-based approach helps the client avoid an immediate €450,000 tax charge while maintaining investment flexibility and long-term planning advantages.

Beyond Exit Tax: Additional Benefits to Consider

- **Tax efficiency:** Continued deferral of gains and flexibility in reallocating investments.
- **Estate planning:** Ability to design beneficiary clauses tailored to family needs.
- **Cross-border portability:** Recognition across Europe and compatibility with international private banking.
- **Compliance assurance:** Transparent and legally robust, reducing the risk of requalification or challenge.

Key Takeaways for Advisers

- Review clients' portfolios proactively well in advance of any potential relocation, if there is a possibility that such a move might one day be considered.
- Identify potential Exit Tax exposure early, especially where significant unrealised gains exist.
- Use the planning window as an opportunity to address wider needs: succession, cross-border mobility and investment flexibility.

Case Study Insights

Simon Martin
Head of UK Technical Services

Anticipating the UK Autumn Budget: Using A Lifestyle Trust to Balance Access and IHT Planning

Simon Martin, Head of UK Technical Services, shows how a UK national and long-term resident can prepare for possible Autumn Budget changes to inheritance tax (IHT).

By using a reversionary interest (lifestyle) trust, clients can retain access to capital, support family gifting in a controlled manner, and move future growth outside the estate.

The Client

Mr Cooper, aged 55, lives in southern England and is a UK national and long-term resident. As such his worldwide estate is potentially liable for UK inheritance tax.

He has accumulated significant wealth from an online business selling musical instruments.

He is divorced, lives alone, and has two married adult children who live near London.

Client requirements

- Reduce inheritance tax (IHT) on his estate.
- Ensure his children and grandchildren are looked after, both while he's alive and after he dies. He wants to have an element of control over how and when beneficiaries will benefit from his estate in future.

- He hasn't made any recent gifts nor considered IHT planning but is now interested in planning opportunities including the use of trusts.
- He wants to travel more in the next few years which could be expensive, so he's unsure how much money he wants to give away now.
- He'd like the option to add more money to the trust in the future, especially if his expenditure drops but his income remains the same (for example, if he downsizes his home whilst still working).
- He's also concerned about possible changes to IHT rules in the upcoming UK Budget in November and is keen to implement his strategy before then.

The Solution

- Mr Cooper invests £325,000 in an insurance bond, split into 100 policy segments (£3,250 each).
- He settles the bond into a Reversionary Interest Trust (a special type of discretionary trust). This trust gives Mr Cooper the right to selected reversionary benefits on scheduled dates in the future, but the trustees can defeat these rights by appointing capital away to beneficiaries if they choose to do so.
- A professional trust company is appointed as trustee, ensuring continuity and avoiding family pressure. Mr Cooper writes a non-binding "letter of wishes" to guide the trustees on how he'd like the trust managed.
- He sets up the trust schedule so that each year, he can potentially access 10 policy segments (£32,500), giving him flexibility to access funds if needed.

The Benefits

1. **IHT planning:** If Mr Cooper survives seven years after setting up the trust, the money in the trust will be outside his estate for IHT purposes, reducing the tax bill for his family. All investment growth will be outside Mr Cooper's estate unless he decides to take the scheduled benefits, if and when they become due.
2. **Anticipating the Autumn budget:** Set up the plan now taking advantage of the current IHT rules.
3. **No immediate IHT charge** applies, as Mr Cooper hasn't made other large gifts in the past seven years.
4. **Flexibility:** Each year, Mr Cooper can choose to take the scheduled benefits or defer them if he doesn't need the money, keeping his options open.
5. **Future contributions:** He can add more money to the trust after seven years or make regular gifts from income if his expenditure drops, using the "normal expenditure out of income" exemption.
6. **Orderly succession planning:** As the Lifestyle Trust is a discretionary trust, Mr Cooper can determine how and when his heirs can benefit from his legacy.
7. **Tax-efficient for beneficiaries:** When Mr Cooper dies, the trustees can assign the bond segments to his beneficiaries, who can then surrender them. Any tax due on gains is paid at the beneficiaries' own tax rates, which may be lower than the rate applicable to trusts.
8. **Enduring IHT efficiency:** The trust fund will not form part of the beneficiaries' estates for IHT purposes.

Ester Carbonell van Reck
Senior Wealth Planner -
Spain and LatAm

A Spanish Grandmother's Legacy: Deferred Inheritance Through Life Insurance

Ester Carbonell van Reck, Senior Wealth Planner, outlines how a mixed-term life insurance policy can be used to support deferred succession planning for a high-net-worth client in Spain.

The structure would allow the client to retain access to capital during her lifetime, while ensuring a controlled and tax-efficient transfer of wealth to her grandchildren under specific conditions.

The Client

Mrs. Gómez is a 65-year-old widow, Spanish national and resident in Madrid. She has two children and two grandchildren, all resident in Madrid. With a net worth of approximately €15 million, she wishes to retain access to her money during her lifetime while ensuring, on her death, that a portion is passed on to her grandchildren under certain conditions. These are namely that they reach a certain age and have time to prepare for the receipt of such significant wealth.

The Solution

Mrs. Gómez takes out a mixed-term unit-linked life insurance policy with Utmost Wealth Solutions for €5 million. The lives assured are Mrs. Gómez and her two grandchildren. She is designated as the first-rank beneficiary in the event of survival, with her grandchildren as second-rank beneficiaries. The beneficiaries in the event of death are her grandchildren's legal heirs.

Key Features

- **Conditioned termination right:** On Mrs. Gómez's death, the policy's termination right is transferred to the second-rank beneficiaries (i.e. her grandchildren) only when (i) each has reached age 30, and (ii) at least 5 years have elapsed since the date of death. The grandchildren might also choose to extend the contract beyond that point.
- **Deferral in practice:** Until those conditions are met, the policy remains active, deferring the taxable event for the grandchildren and giving time for strategic financial planning.
- **Post-death governance:** Mrs. Gómez can also establish in the policy that the grandchildren will be entitled to request a change of the custodian, discretionary asset manager, or investment strategy applicable to the policy after her death.
- **Continuity on survival:** If the grandchildren do not opt to terminate the policy on survival at that time, the policy continues until the last life assured dies, at which point the policy's death benefit will be paid to their legal heirs.

The Benefits

1. **Liquidity for the policyholder:** Access to liquidity during Mrs. Gómez's lifetime through partial surrenders or termination upon maturity.
2. **Controlled distribution:** Guarantees that the grandchildren receive the money when they reach defined age and timing thresholds.
3. **Planning window:** A 5-year deferral period post-mortem for heirs to plan the transfer of wealth.
4. **Potential tax deferral** given that the acquisition of the right to terminate the policy, and thus trigger taxation, is legally postponed.

Nicolaas Vancrombrugge
Senior Wealth Planner - Belgium and Luxembourg

Using A *Post-Mortem Clause* to Support Family Succession Goals in Belgium

In this case study, Nicolaas Vancrombrugge, Senior Wealth Planner Belgium and Luxembourg, demonstrates how a post-mortem clause within a life insurance contract could be used to support succession planning for a Belgian client with a blended family.

The structure would allow the policyholder to retain control over asset distribution during their lifetime, while enabling a gradual and protected transfer of wealth to the next generation under clearly defined conditions.

The Client

- Mr Janssens has two minor children from his first marriage and has been remarried for five years.
- Part of his assets are held in a life insurance policy, where he is the sole policyholder and both he and his new wife are the insured lives.
- He wishes to ensure that his former spouse can no longer exert any influence over his assets.
- His children are designated as the sole beneficiaries of the policy.
- He wants the proceeds to go to his children upon his death, but with his new wife retaining control until they reach the age of 30.

The Solution

Mr Janssens requested a post-mortem addendum to the life insurance contract, stipulating that upon his death, the rights under the contract are transferred as follows:

1. Partially and temporarily, certain rights under the contract would be transferred to his new spouse, specifically:
   - The right to determine or change the investment profile.
   - The right to make limited withdrawals, provided the proceeds are paid directly into the children's bank accounts.

   These rights would automatically expire when the youngest child turns 30.
2. The remaining rights under the contract would then be transferred to his two children.

The Benefits

In the event of Mr Janssens' death and the post-mortem appendix coming into effect:

1. **Delayed access for beneficiaries:** Until the children reach the age of 30, they will not be able to exercise any rights under the insurance policy.
2. **Decision-making retained by spouse:** During this period, Mr Janssens' new wife will be the sole decision-maker regarding the policy, but she will not be able to make any withdrawals or surrender in her own favour.
3. **Automatic transfer of control:** Once the children reach the age of 30, the role of Mr Janssens' new wife will automatically expire. From that point on, the children will acquire full control over the insurance policy and its underlying assets.
4. **Ongoing flexibility for policyholders:** The policy will continue to exist until the death of the last insured person (Mr Janssens' new wife). However, once the children become policyholders, at the age of 30, they may choose to surrender the policy in full.

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