

Assurance Vie

2025 Guide Edition



What Is An Assurance Vie?

An Assurance Vie is a type of insurance contract in France that combines life insurance coverage with investment elements. The contract allows policyholders to invest their premiums into a range of investment options, such as mutual funds, bonds, and stocks, with the aim of growing their capital over time.

An Assurance Vie enjoys significant French IHT benefits, and enhanced exemptions compared to non-Assurance Vie assets, with potential tax liabilities being limited to the growth element. The initial invested premium element is **tax-free**.

I am a British expatriate living in France. How can an Assurance Vie help me?



For British expatriates living in France, an Assurance Vie can provide several benefits:

TAX ADVANTAGES: There are enhanced exemptions for French IHT – €152,500 **tax-free** allowance per beneficiary (for premiums invested before the holder's 70th birthday). The member also benefits from gross roll-up and tax deferral of gains while invested. There is further tax efficiency on withdrawals through the 'Flat Tax' regime (maximum tax rate of 12.8% on gains plus social taxes).

FLEXIBILITY: Assurance Vie offers flexible investment options, allowing policyholders to adjust their investments to suit their financial goals and changing circumstances.

ESTATE PLANNING: Assurance Vie can be a useful tool for estate planning, as it allows policyholders to pass on their wealth to their beneficiaries in a tax-efficient manner.

CURRENCY PROTECTION: As a British expatriate, Assurance Vie protects against currency fluctuations, allowing you to invest in euro-denominated investments.



It's important to note that the tax implications of an Assurance Vie can be complex, and it's recommended to seek advice from a financial adviser or tax professional to determine if this type of contract suits your circumstances.

How Can An Assurance Vie Be Used?

An Assurance Vie Can Be Used In Several Ways:

INVESTMENT:

Policyholders can use the contract to invest their premiums in a range of investment options, including mutual funds, bonds, and stocks. The aim is to grow their capital over time.

ESTATE PLANNING:

Assurance Vie can be used to pass on wealth to beneficiaries in a **tax-efficient manner**, as the death benefit paid out is **tax-free** (within the exemption amount).

TAX PLANNING:

The tax implications of an Assurance Vie can be complex, but it can be used to potentially reduce tax liabilities for policyholders.

SAVING FOR A SPECIFIC PURPOSE:

Policyholders can use an Assurance Vie as a long-term savings vehicle to help achieve specific financial goals, such as purchasing a property or funding education expenses.

ACCESS TO FUNDS:

Policyholders may withdraw funds from the contract while alive, subject to certain conditions and potential tax implications.

It's important to note that the use of an Assurance Vie can vary depending on the individual's financial goals and circumstances.



What Are The Key Benefits?

The key benefits of an Assurance Vie are:

TAX ADVANTAGES: There are enhanced exemptions for French IT, e.g., €152,500 tax-free allowance per beneficiary (for premiums invested before the holder's 70th birthday). The member also benefits from gross roll-up and tax deferral of gains while invested. There is tax efficiency on withdrawals through the 'Flat Tax' regime (maximum tax rate of 12.8% on gains plus social taxes).

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ESTATE PLANNING: Assurance Vie can be a valuable tool for estate planning, as it allows policyholders to pass on their wealth to their beneficiaries in a tax-efficient manner.

CURRENCY PROTECTION: Assurance Vie allows policyholders to invest in euro-denominated investments, providing protection against currency fluctuations.

ACCESS TO FUNDS: Policyholders may be able to withdraw funds from the contract while they are alive, subject to certain conditions and potential tax implications.

DIVERSIFICATION: Assurance Vie allows policyholders to diversify their investments, spreading their risk across a range of assets, which can help reduce overall portfolio risk.



It's important to note that the tax implications of an Assurance Vie can be complex, and the benefits can vary depending on individual circumstances.



What Is The Process?

The process of setting up an Assurance Vie in France typically involves the following steps:

CHOOSE A PROVIDER

Research and compare different Assurance Vie providers to find one that meets your investment needs and preferences.

OPEN A CONTRACT

Complete an application to open an Assurance Vie contract with the chosen provider. This will involve providing personal and financial information and selecting the investment options for your premiums.

FUND THE CONTRACT

Transfer funds into your Assurance Vie contract to start investing. The frequency and value of premium payments can vary depending on the provider and the contract terms.

MONITOR AND MANAGE INVESTMENTS

Regularly monitor and manage your investments to ensure they align with your financial goals and risk tolerance.

WITHDRAW FUNDS (IF DESIRED)

Policyholders may be able to withdraw funds from the contract while they are alive, subject to certain conditions and potential tax implications.

RECEIVE DEATH BENEFIT

Upon the policyholder's death, the death benefit will be paid out to the designated beneficiaries tax-free.

It's important to note that the specifics of the process can vary depending on the provider and the individual's circumstances. It's recommended to seek advice from a financial adviser or tax professional to ensure that the **Assurance Vie** contract meets your specific needs and is set up correctly.





Is An Assurance Vie Capital Guaranteed?

It is possible to have some, or all the capital guaranteed in an Assurance Vie, but this will depend on the type of contract you choose and the investment options available. Some Assurance Vie contracts offer a capital guarantee, which means that the policyholder's invested capital will be protected, even if the underlying investments perform poorly. However, it's important to note that a capital guarantee may limit the potential for investment growth.

It's recommended to carefully consider the trade-off between the security of guaranteed capital and the potential for investment growth when selecting an Assurance Vie contract.

How Do I Decide What Investments To Make Inside My Assurance Vie?

The investment options available within an Assurance Vie will depend on the provider and the type of contract you choose. When deciding what investments to make within your Assurance Vie, you should consider the following:

FINANCIAL GOALS:

Consider your financial goals, time horizon, and risk tolerance to determine which investments will help you achieve your desired outcome.

INVESTMENT OPTIONS:

Research and compare the investment options available within your Assurance Vie contract to find those that align with your financial goals and risk tolerance.

PERFORMANCE HISTORY:

Evaluate the past performance of the investment options to gain insight into their potential for growth and risk.

DIVERSIFICATION:

Consider diversifying your investments across different asset classes and regions to reduce overall portfolio risk.

TAX IMPLICATIONS: Consider your financial goals, time horizon, and risk tolerance to determine which Tax Implications: Consider the tax implications of different investment options, as some may be taxed more heavily than others.

It's essential to regularly monitor and review your investments within your Assurance Vie to ensure they continue to align with your financial goals and changing circumstances.

Making Withdrawals

The policyholder can typically make withdrawals from an Assurance Vie contract while they are alive, subject to certain conditions and potential tax implications. The specific withdrawal rules will depend on the provider and the type of contract you choose.

When making a withdrawal, it's important to consider the following:

ONLINE

CONTRACT TERMS:
Review the terms of your Assurance Vie contract to understand any restrictions or requirements for withdrawals.

PHONE

TAX IMPLICATIONS:
Withdrawals may be subject to tax, depending on the specific circumstances and the length of time the contract has been in place.
It's recommended to seek advice from a financial adviser or tax professional to understand the tax implications of a withdrawal.

POST

IMPACT ON INVESTMENT:
Consider the impact that a withdrawal may have on your investment portfolio, as it may reduce the overall value of your contract.

FUTURE NEEDS: Consider your future financial needs and goals, as well as any upcoming expenses, to determine whether a withdrawal is necessary or advisable.

It's recommended to carefully consider the potential tax implications, impact on investment portfolio, and future financial needs before withdrawing from an Assurance Vie contract.

How Are Taxes Applied To An Assurance Vie?

The taxation of an Assurance Vie contract in France depends on several factors, including the specific terms of the contract and the length of time it has been in place. Generally, the following rules apply:

PREMIUMS: Premiums paid into the Assurance Vie contract are generally deductible for French income tax purposes, up to certain limits, subject to conditions.

WITHDRAWALS: Withdrawals from the contract may be subject to income tax, depending on the time the contract has been in place and the specific circumstances. Withdrawals made after the 8-year holding period may be taxed at a reduced rate or exempt from tax altogether.

DEATH BENEFIT: There are enhanced exemptions for French IT, e.g., €152,500 tax-free allowance per beneficiary (for premiums invested before the holder's 70th birthday).



It's important to note that tax laws and regulations are subject to change, and the specifics of the tax treatment of an Assurance Vie contract can vary based on individual circumstances.

Pre And Post September 27th, 2017

The rules for premiums paid into an Assurance Vie contract before September 27th, 2017, are subject to different tax treatment than premiums paid after this date. Prior to September 27th, 2017, premiums paid into an Assurance Vie contract were generally exempt from wealth tax, with certain limits. Additionally, withdrawals made after an 8-year holding period were generally tax-free.

Since September 27th, 2017, the tax treatment of an Assurance Vie contract has changed, and premiums paid into the contract are generally no longer exempt from wealth tax.

Withdrawals from an Assurance Vie contract are subject to income tax, with the specific tax rate and treatment depending on the length of time the contract has been in place and the specific circumstances. Withdrawals made after an 8-year holding period may be taxed at a reduced rate or exempt from tax, depending on the specific circumstances.

It's important to note that tax laws and regulations are subject to change, and the specifics of the tax treatment of an Assurance Vie contract can vary based on individual circumstances.



Taxation In The Absence Of Redemption

In the absence of redemption, an Assurance Vie contract in France may be subject to taxation in different ways, depending on the specific circumstances and the length of time the contract has been in place.

WEALTH TAX:

The wealth tax in France applies to assets, including Assurance Vie contracts, that individuals hold. The specific tax treatment of an Assurance Vie contract depends on the amount held in the contract and the date the premiums were paid. Since September 27, 2017, the tax treatment of an Assurance Vie contract has changed, and premiums paid into the contract are generally no longer exempt from wealth tax.

INHERITANCE TAX:

The death benefit paid to the beneficiaries of an Assurance Vie contract is generally exempt from inheritance tax. There is an enhanced exemption for French IHT, e.g., a €152,000 tax-free allowance per beneficiary (for premiums invested before the member's 70th birthday). However, the specific tax treatment of the death benefit may depend on the individual circumstances and the relationship between the policyholder and the beneficiaries.

It's important to note that tax laws and regulations are subject to change, and the specifics of the tax treatment of an Assurance Vie contract can vary based on individual circumstances.

Tax On Partial Or Total Withdrawals

The taxation of partial or total withdrawals from an Assurance Vie contract in France depends on several factors, including the specific terms of the contract, the length of time it has been in place and the amount of the withdrawal. Generally, the following rules apply:

Withdrawals

made before the 8-year holding period:

Withdrawals made before the 8-year holding period are subject to income tax. There is a choice of how gains are taxed – policyholders can opt for marginal tax rates or via a 'Flat Tax' basis.

Withdrawals

made after the 8-year holding period:

Withdrawals made after the 8-year holding period may be taxed at a reduced rate or exempt from tax altogether, depending on the specific circumstances. The tax treatment of these withdrawals depends on the amount of the withdrawal and the individual's income tax bracket if opting for the marginal tax rate option. Alternatively, the member can opt for the 'Flat Tax' basis.

It's important to note that tax laws and regulations are subject to change, and the specifics of the tax treatment of an Assurance Vie contract can vary based on individual circumstances.



Termination Of The Contract Due To Death

In the event of the death of the contract holder, the Assurance Vie contract will typically terminate, and the death benefit will be paid to the beneficiaries specified in the contract. The death benefit enjoys enhanced exemptions for French IHT, e.g., €152,500 tax-free allowance per beneficiary (for premiums invested before the member's 70th birthday).

In some cases, the death benefit may be subject to inheritance tax in France. However, there are certain exemptions and reductions available that can reduce or eliminate the inheritance tax due.

FURTHER BENEFITS

Aside from the tax benefits outlined above, there are several additional benefits to an Assurance Vie contract in France:

FLEXIBILITY:

An Assurance Vie contract offers a high degree of flexibility, allowing policyholders to change the investments held within the contract, make additional contributions, or make withdrawals as needed.

DEATH BENEFIT:

An Assurance Vie contract provides a death benefit to the beneficiaries of the contract. There is an enhanced exemption for French IHT, e.g., €152,500 tax free allowance per beneficiary (for premiums invested pre-70th birthday). The death benefit can be used to provide financial support to the beneficiaries during the policyholder's death.

INHERITANCE PLANNING:

Full flexibility on beneficiaries, avoiding forced heirship while maintaining generous IHT exemptions.

ESTATE PLANNING:

An Assurance Vie contract can be used as part of an overall estate planning strategy, helping ensure that assets are passed on to the intended beneficiaries tax-efficiently.

POTENTIAL FOR GROWTH:

An Assurance Vie contract offers the potential for growth, as the investments held within the contract have the potential to increase in value over time.

It's important to note that these benefits will depend on the specific terms of the Assurance Vie contract and individual circumstances.

UK Tax And Assurance Vie

As a British expatriate living in France, the specific tax treatment will depend on several factors, including the specific terms of the Assurance Vie contract, your individual circumstances, and the tax laws and regulations in both France and the UK.

Generally, UK tax may be applied to your Assurance Vie investments if you are still deemed a UK resident or receive income from the investments while you are a UK resident. However, tax treaties between France and the UK can reduce or eliminate double taxation.

It's recommended to seek advice from a financial adviser or tax professional who is familiar with both the French and UK tax systems to determine the specific tax implications of your Assurance Vie investments and to ensure that your investments are structured in a tax-efficient manner.

For UK nationals, it is also important to select an Assurance Vie policy that is portable and can be tweaked to ensure compliance in the UK, should you relocate back to the UK in the future.





Is An Assurance Vie Right For You?

Whether an Assurance Vie contract is a good idea for you depends on your financial goals, investment strategy, and personal circumstances. Here are some factors to consider:

INVESTMENT GOALS:

An Assurance Vie contract may be a good option if you are looking for a flexible investment vehicle with the potential for growth.

INVESTMENT OPTIONS:

An Assurance Vie contract typically offers a range of investment options, including more conservative options such as bonds and more aggressive options such as equities. Your risk tolerance will play a role in determining which investment options are right for you.

PERFORMANCE HISTORY:


An Assurance Vie contract may offer tax benefits, particularly if you are a French resident. However, it's important to understand the specific tax implications of the contract and to ensure that your investments are structured in a tax-efficient manner.

DIVERSIFICATION:

An Assurance Vie contract can be a useful tool for estate planning, allowing you to specify who the beneficiaries of the contract will be and how the death benefit will be distributed.

FINANCIAL GOALS: An Assurance Vie contract typically requires a minimum initial contribution and may have fees associated with it. It's important to consider whether you have the financial resources to make the necessary contributions and to cover the fees associated with the contract.

Ultimately, seeking advice from a financial adviser familiar with your specific financial goals, investment strategy, and personal circumstances is recommended to determine if an Assurance Vie contract is a good option for you.



It's recommended to seek advice from a financial adviser or tax professional who is familiar with the French tax system and the specific provisions of the Assurance Vie contract to ensure that your investments are structured in a tax-efficient manner.

Summing Up On Assurance Vie

An Assurance Vie is a type of insurance contract in France that provides tax-advantaged savings and investment opportunities. It offers a wide range of investment options, including bonds, equities, and real estate, allowing you to customise your investment strategy based on your risk tolerance and financial goals. The death benefit is generally paid tax-free, and the contract can also be used for estate planning purposes, allowing you to specify who the beneficiaries of the contract will be and how the death benefit will be distributed.

When you enter into an Assurance Vie contract, you make a minimum initial contribution and may make additional contributions at your discretion. The investment options chosen within the contract will determine the potential return on investment. Withdrawals from an Assurance Vie contract are subject to certain tax implications, which may vary depending on the date the premiums were paid and the amount of the withdrawal.

Assurance Vie contracts have been a popular investment option in France for many years, offering a flexible, tax-efficient way to save for the future. However, as with any investment, it's important to carefully consider your individual financial goals, risk tolerance, and personal circumstances before entering into an Assurance Vie contract. It's recommended to seek advice from a financial adviser or tax professional who is familiar with the French tax system and the specific provisions of the Assurance Vie contract to ensure that your investments are structured in a tax-efficient manner.





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www.hoxtonwealth.com

enquiries@hoxtonwealth.com

HCM Trading Holdings Limited, 36
Hope Street, Douglas, IM1 1AR,
Isle of Man

HOXTON WEALTH

DUBAI

+971 4 245 0200
admin@h-wealth.ae

LONDON

+44 203 917 3757
enquiries@hoxtonwealth.co.uk

SYDNEY

+61 02 8324 7435
admin@hoxtonwealth.com.au

NEW JERSEY

+1 737 249 9620
admin@hoxtonwealthusa.com

TEXAS

+1 737 249 9620
admin@hoxtonwealthusa.com

LARNACA

+357 2425 7710
admin@hoxtonwealth.eu

CAPE TOWN

enquiries@hoxtonwealth.co.za

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First Floor, Clockhouse Court,
5-7 London Road,
St Albans AL1 1LA

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www.hoxtoncapitalusa.com

Hoxton Capital Management USA, LLC
501 Congress Ave Suite 150,
Austin, TX 78701,
United States

Hoxton Capital Management USA, LLC
101 Hudson Street,
Jersey City, NJ 07302,
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