

PLAN YOUR ESTATE WITH COMPLETE PEACE OF MIND



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Why estate planning matters to you

Throughout your life, you have built up your precious estate and carefully planned for your future. You have chosen your investments wisely. It is only natural that you want to make the most of your wealth during your lifetime, and then pass on as large a proportion as possible to your heirs.

Estate planning can sometimes prove more complicated than you expect. From providing for your children to passing on your second home or the family business, estate planning is always closely linked to your **personal situation**. This means that your place of residence, marital property regime, children and any existing will are of key importance. The **planning and structured transferral** of your estate during your lifetime are both integral parts of managing your assets and preventing undue burdens for your loved ones.

Estate planning is even more important if you wish to ensure that:

- your assets are distributed in a particular way
- the maximum amount reaches your chosen beneficiaries as quickly as possible
- the specific needs of each beneficiary are met
- a family business stays within the family

Planning your estate not only reduces the tax burden and potential costs, but also protects the amount available for your heirs as much as possible.

It goes without saying that the successful transfer of an estate necessitates careful thought and rigorous planning. BGL BNP Paribas specialists are here to help you implement the strategy that best meets your needs.

This brochure¹⁾ offers practical advice with regard to wealth planning and declaration, as well as inheritance tax, as well as banking solutions that **allow you to plan the transfer of your estate with complete peace of mind**.

We would also encourage you to speak with one of our in-branch advisors, who will be happy to assist you. In partnership with our **specialist wealth structuring and estate planning unit**, the advisor will analyse your personal situation and recommend the solutions best suited to your needs.

Questions to ask yourself:

- What are the assets of the estate?
- Who are the heirs?
- How will the heirs receive their inheritance?

¹⁾ It is exclusively aimed at taxpayers who are natural persons with their usual residence in Luxembourg at the time of their death. All legal, tax and inheritance information, as well as the tax advantages mentioned (for example those linked to the subscription of particular investment or insurance products) specifically and exclusively apply within this limited scope.



What is an estate?

Before any planning of the transfer of estate can begin, it is important to define which assets will be passed on. This is known as the "estate". The term covers all of the deceased person's assets on the day of their death. Estate liabilities are deducted from the total.

If you are bound by a marriage contract:

A couple's marital property regime governs the relationship between them with regard to their estate, as well as their relationships with third parties.

Before exploring the various types of contract, it is important to distinguish between three categories of asset:

- **shared property:** marital acquests, i.e. goods acquired jointly or separately by the couple during the marriage derived from their work, from profit or income on their personal property and any assets acquired for valuable consideration.
- **the husband's personal property**
- **the wife's personal property**

"Personal property" refers to:

- movable and immovable property that a spouse owned or had in his or her possession on the couple's wedding day.
- property acquired during the marriage as an inheritance, legacy or gift.

Where the marital property regime stipulates **universal community** of property, there is only one estate.

The couple may add a clause stipulating that all assets are to be attributed to the surviving spouse. If one of the couple were to die, the surviving spouse would acquire the deceased spouse's half of the estate in addition to the half that he or she already owns. This would therefore occur by virtue of the marriage contract, rather than as an inheritance based on the law or on a will. As all of the deceased's assets would have been transferred to the surviving spouse in accordance with the marital regime, the assets of the estate to be transferred by inheritance would be equal to zero and hence there would be no inheritance tax to pay.

Where the marital property regime stipulates **separate ownership of property**, each spouse is entitled to manage, benefit from and freely dispose of his or her personal property and is only bound by debts he or she incurred personally before or during the marriage.

The assets of the estate to be transferred therefore comprise all property belonging to the deceased spouse.

Attribution to the last survivor clause¹⁾

It is possible to add a survival clause to your marriage contract, whereby **you attribute your entire estate to your spouse**. There will be no transferral of wealth and your children will not receive any inheritance while your spouse is alive.

If you are married without a contract, you are subject to the regime of **legal community (reduced to marital acquests)**. The estate therefore comprises your personal estate and half of the shared estate.

¹⁾ This clause may be applied to all types of marriage contract

Who are the heirs?

Under Luxembourg law, the transferral of wealth begins on the date of death and is governed by the laws of the usual country of residence of the deceased, regardless of his or her nationality.

What happens if you do not leave a will:

If you have not explicitly stated to whom you wish to bequeath your property, the transferral of wealth will be governed by the applicable laws.

Inheritance law divides the family into various categories and establishes five types:

- 1. descendants
- 2. the surviving spouse
- 3. ascendants and privileged collateral relatives
- 4. ascendants other than the mother and father
- 5. collateral relatives other than the siblings of the deceased and the siblings' descendants

Within each type, the closest relatives will be the first to inherit – thereby excluding all others (subject to the particular case of a surviving spouse).

Descendants are priority heirs:

In all events, the children of the deceased are the first to receive an inheritance. If the deceased has children and a spouse, the latter will have a right either to full ownership of a child's share (which can nevertheless not be less than one quarter of the estate), or to usufruct of the property inhabited jointly by the couple as well as any furniture furnishing the same, provided that the property was owned either solely by the deceased or jointly with the surviving spouse.

E.g.: If the surviving spouse chooses to receive a child's share, the share will vary depending on the number of children. However, this share cannot be less than one quarter of the inheritance.

Therefore, if there is one child: $\frac{1}{2}$ for the child, $\frac{1}{2}$ for the spouse. Two children: $\frac{2}{3}$ for the children, $\frac{1}{3}$ for the spouse. Four children: $\frac{3}{4}$ for the children and $\frac{1}{4}$ for the spouse

Conversely, if there are no children, the spouse will inherit all property in its entirety.

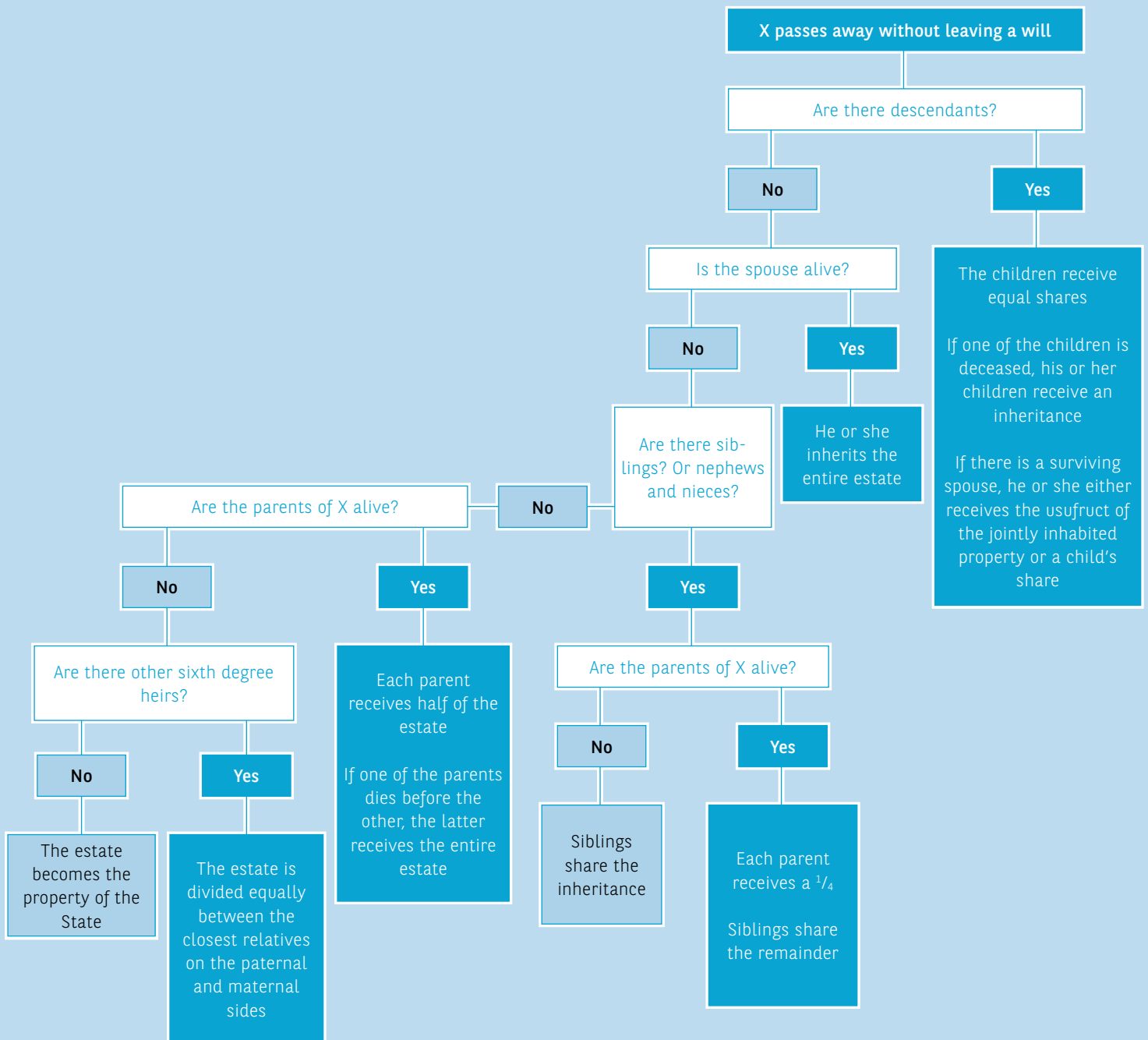
Please note that a share called the “**legal reserve**” of the inheritance is reserved for the legal heirs qualifying as réservataires under French law (the spouse and children of the deceased). The size of this reserve depends on the number of réservataires. It stands to reason that the more children there are, the smaller the reserved share will be.

Privileged **collateral relatives** and ascendants are the deceased's siblings on the one hand and parents on the other. These people only receive an inheritance if no spouse or children outlive the deceased.

For **other ascendants** and **collateral relatives**, the relevant principle is that of “the split”: within each bloodline, the share of the estate is divided in accordance with the nature and degree of kinship of the heir(s).

If there are no heirs of any degree up to the sixth degree, the **State** is entitled to the entire estate.

Summary



How will your heirs gain access to your estate?

If the last habitual residence of the deceased is located in Luxembourg, heirs must submit an inheritance declaration in writing within six months to the inheritance rights office of the district in which the last residence of the deceased is located (i.e. to the Luxembourg registry – **Administration de l’Enregistrement et des Domaines**).

The inheritance declaration must contain the following information:

- the degree of kinship
- the share received
- whether the estate is subject to a will
- the nature and value of the assets constituting the estate
- the debts comprising the estate liabilities
- any usufruct from which the deceased benefited

Inheritance tax is payable:

- on all **movable and immovable assets located in Luxembourg**,
- on all **movable assets located abroad** and not already subject to inheritance tax,
- on **gifts made by the deceased** in the year prior to his or her death,
- on **life insurance policies** for which the deceased is the principal policy holder.

If you own real estate abroad, your heirs will be responsible for the inheritance tax payable in the country where the property is located.

Such taxes vary in accordance with the degree of kinship and the scale of the assets. Fees are calculated based on the net share received minus the following debts:

- current debts on the day of death
- taxes to be paid
- funeral expenses

No inheritance tax is payable:

- in a **direct line**, between ascendants and descendants and vice-versa, inheritance benefits from an **exemption to cover the legal share**
- between spouses or partners **linked by a declaration of partnership** dating back at least three years, where the couple have children together.

Inheritance taxes are levied:

- between **spouses or partners** that have been linked by a declaration of partnership agreed in Luxembourg for at least three years at the time the inheritance process begins **who do not have children together: 5%**. However, a **discount of EUR 38,000** is applied to the net share received by a person who has been the spouse or partner of the deceased for at least three years.
- between **brothers and sisters**:
 - on what they receive ab intestat¹⁾: 6%
 - on what they receive over and above that: 15%
- between **uncles or aunts and nephews or nieces**:
 - on what they receive ab intestat: 9%
 - on what they receive over and above that: 15%

Inheritance tax rates are increased, according to a legally defined scale, for the shares received by each beneficiary eligible to receive a net taxable sum above EUR 10,000.

For further information, visit www.guichet.lu

What solutions does BGL BNP Paribas offer?

Your situation is unique. That is why our “Inheritance structuring and planning” unit specialists will conduct a thorough assessment before recommending the estate structure and solutions that best meet your needs.

If you approve of the suggested estate structure, your advisor will help you to implement it. This involves essential strategic choices rather than abstract deliberations.

Stating your wishes as early and precisely as possible will make it easier to achieve what you want for yourself, your family or your business. It goes without saying that this structure is flexible. Your personal situation may change at any time, so you can amend and review your plans as many times as you wish.

BGL BNP Paribas provides you with an integrated solution combining asset management with estate planning, which is suitable if you wish to:

- structure the transfer of your estate
- plan the transfer of your estate
- give your loved ones maximum protection
- take advantage of professional, bespoke wealth management
- protect your wealth

The primary solution: leaving a will

If you wish to deviate from the legal order of succession in favour of certain individuals, the primary – and the simplest – solution is to **write a will**. This document enables you to precisely state what you wish to leave to whom.

You may revoke your will at any time.

It is possible to **disinherit certain legal heirs**, provided that all legal conditions are met.

- **It is not possible to write your descendants out of your will.** However, if you wish to ensure your spouse benefits from the existing assets for as long as possible, you can insert an **attribution to the last survivor clause** into your marriage contract to create universal community of property. Your descendants will only be entitled to their share upon the death of your spouse.
- To disinherit a legal heir, you must **specifically assign their share to another person in your will.**



Once the legal reserve is defined (as outlined above), you can bequeath the remainder of your assets (the available portion) in three ways:

- **a residuary bequest** whereby you bequeath the entire available estate to one person (the residuary legatee)
- **a legacy by general title** whereby you bequeath a general part of the estate to one or more people
- **le legs particulier** whereby you bequeath one or more specific goods to one or more individuals.

You may revoke your will at any time, either through a subsequent will prepared in the same way as the will to be revoked, or through a specific notarised deed.

Gifts

In conjunction with a will, **a gift** is a specific solution enabling you to organise your inheritance by **transferring part of your estate** to the next generation prior to your death. This takes the form of a deed whereby you (the giver) immediately and irrevocably transfer an asset to another person (the recipient), who accepts it. As the gift is freely given, the giver cannot expect any recompense for it. Gifts must take the form of a contract witnessed by a notary.

Gift by hand (a form of gifting) is undoubtedly the most widespread estate planning practice. The giver hands the gift to the recipient with no other formalities.

This means that you can decide how the relevant part of your estate is allocated while you are alive. No inheritance tax is payable unless the giver passes away in the year following the transfer of the gift.

Would you like to pass on your movable assets to your children without visiting a notary? Gift by hand is the perfect solution.

As no notary intervention is required in such cases, no gift taxes are incurred. However, we recommend that you write a registered letter to certify the gift. This is a relatively sensitive document; our in-branch advisors can suggest how you should proceed.

Gifts by hand can include: money (which may be transferred to the recipient's account), furniture, cars, jewellery, etc. Gifts by hand are not authorised where real estate is concerned because notarised acts are mandatory in such cases.



It is possible to gift assets while retaining **usufruct rights**: in this case, you give the relevant part of your estate without usufruct, while retaining the right of usufruct in relation to the asset (i.e. the right to use the property). When the usufructuary dies, full ownership of the asset passes to the recipient.

A gift with a **clause establishing a right of reversion** pertaining to movable assets stipulates that the gifted asset would be returned to the giver if the recipient were to die first.

Specific provisions apply to **gifts given to one spouse** by the other during the marriage: "Any inter vivos gift of property made between spouses during marriage may be revoked at any time" (Art. 1096 of the French Civil Code).

Gifts made through the marriage contract are exempt from this provision. However, it is possible to add a special clause to the marriage contract whereby both spouses reserve the right to revoke gifts.

Life insurance policies

Life insurance policies are very useful planning tools. BGL BNP Paribas partners with Cardif Lux Vie to offer insurance policies that are effective, tax deductible¹⁾ and tailored to your saving and estate requirements:

- Optipension*
- OptiSave
- OptiKids
- Optilife²⁾

These insurance policies enable you to choose one or more policy beneficiaries. This means that your loved ones are amply protected, come what may. It is also possible to transfer assets during your lifetime by adding a "beneficiary clause" to a fixed-term contract.

For additional information, please refer to the relevant brochures available in our branches.

1) As part of a Luxembourg tax return.
2) This product is not tax deductible.



Non-trading companies

Forming a non-trading company is a way to retain your estate for several generations. It offers an opportunity for communal ownership of certain assets and real estate with your heirs.

Several types of non-trading company are available to you by law:

- société universelle tous biens présents (universal company of all present assets)
- société civile immobilière (SCI, non-trading real estate company)
- société universelle de gains (universal gains company)

Our advisors will identify the format that best matches your situation.

Sociétés de Patrimoine Familial (SPF, Luxembourg private wealth management companies – the replacement for the Holding 29)

SPFs are exclusively designed for the purposes of holding and achieving growth for a portfolio of transferable assets (equities, bonds). Their aim is to create a legal framework for private wealth management. SPFs are ideal for cash management and the management of a portfolio of transferable securities and financial assets. However, they cannot be used to hold land or real estate or to manage companies.

SPFs are subject to a highly favourable tax regime because they are exempt from corporate income tax and only incur subscription tax equivalent to 0.25% of the value of the capital (subject to certain conditions being met).

Foundations

A “foundation” enables you (the founder) to protect the assets of your estate and pass full ownership of them to the foundation:

- either in the articles of association
- or through a provision in your will

A family foundation could be established with a view to funding education expenses, professional training and academic teaching, providing an endowment or assistance for members of one or more specific families, or for other purposes.

Find out more

In this document, we have outlined the solutions that BGL BNP Paribas has to offer in respect of your estate. These solutions are based on our experience of the market and the close relationship we enjoy with our clients.

Your professional and personal situation will have a profound influence on the transfer of your estate. That is why our solutions are flexible and tailored to you. You can even combine several of our products and benefit from favourable conditions. Please feel free to discuss these matters with your personal advisor.

Each of your plans will be handled with the same care and attention. Your personal advisor is waiting to hear from you. He or she will offer advice based on the insight of a team of experienced specialists, answer your questions and guide you through the various banking solutions. This means that you can enjoy life to the full and focus on the things that truly matter.

OUR BRANCHES IN LUXEMBOURG CITY

Bonnevoie	Kirchberg Headquarters
Cloche d'Or	Limpertsberg
Gare	Merl-Belair
Grand-Rue	Merl-Jardins de Luxembourg
Kirchberg Europe	Royal Monterey

OUR BRANCHES IN LUXEMBOURG

Bascharage Kordall	Mamer
Bereldange	Mersch
Bettembourg	Mondorf-les-Bains
Clervaux	Niederanven
Diekirch	Pétange
Differdange	Redange-sur-Attert
Dudelange	Remich
Echternach	Schifflange
Esch Belval	Steinfort
Esch Benelux	Strassen
Esch Centre	Tétange Käldall
Ettelbruck	Vianden
Grevenmacher	Wasserbillig
Howald	Weiswampach
Junglinster	Wiltz
Larochette	

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