



## Investment Insurance

*Investment insurance policies are life insurance products which link savings and investment to the insurance of a risk: your life or death. The money that you place into investment insurance is called a "premium", as is the case with other insurance policies.*

*The best-known investment insurance policies include:*

- *Branch 21 life insurance policies: investment insurance policies which imply a low risk and fixed interest.*
- *Branch 23 life insurance policies: investment insurance policies associated with higher risk investment products, offering a potentially higher return, but with no guarantee.*

### Branch 21 insurance

Branch 21 insurance (also called savings insurance) is a medium or long-term savings product in the form of a life insurance policy.

**The main feature of branch 21 insurance is that it offers great security for your savings and what they will produce.**

***What does the insurer offer you at the moment of redemption?***

- Firstly, the premiums you paid, less the fees.
- Secondly, the interest guaranteed by the insurer: this is what is called a guaranteed return. In most cases, interest is not paid annually, but is capitalised: it is added to the original capital, so that it too produces interest the following year. When you withdraw the capital, you receive the capital and all the interest together.
- Thirdly, any profit sharing that the insurer is prepared to pay. This is not set in advance nor is it guaranteed, but will depend on the profit made by the insurer. Once profit sharing has been granted, the insurer cannot withdraw it in future.

***When you subscribe to a branch 21 insurance policy, you have several options:***

- you either pay a single premium on subscribing to the policy or several premiums, for instance, every year during the policy;
- the policy can have an expiry date and a fixed term, for instance ten years, but it can also be of indefinite duration;
- if you want to offer financial support to your heirs in the event of your death during the policy, you can provide death cover;
- if you use your policy as an additional pension or as long-term savings, you can benefit from a tax break.

## Branch 23 insurance, a life insurance policy linked to an investment fund

Firstly, the fees, taxes and cost of any premium for death cover are deducted from the premiums you pay for your branch 23 life insurance. With the remainder of your premium, you buy parts ("units") of one or several internal funds with which your branch 23 life insurance is linked.

Internal funds are comparable to a big money box managed by the insurer. The insurers have many different money boxes or internal funds. For each internal fund, the insurer will invest the money received in bonds, shares, property, funds and more. Certain internal funds invest more in shares for instance, others in bonds. Your policy states in which funds your premium will be invested.

The value of these internal funds, and therefore your branch 23 life insurance, changes constantly, simply because the value of the products in which the internal funds invest fluctuates continually.

### You run the risk of losing capital, but you also benefit from any capital gains

Would you prefer a branch 23 product rather than branch 21 life insurance?

If so, you opt for an investment that may just bring greater returns. A word of warning, though – greater returns also involve greater risks. If you invest in a branch 23 product linked to share funds, you may obtain high returns. But on the other hand, you must bear possible losses in the event of a fall in the price of the shares in which the internal funds invested. The risks of internal funds are linked to the risks of the products in which they invested. It is thus riskier to invest in new technological companies than to invest in German or Belgian government bonds.

If the economic climate is bad, you incur a loss, but when circumstances are good, you profit.

### Branch 23 offering capital protection

There are also branch 23 policies with capital protection. These policies have an expiry date. At the policy's expiry date, you should recover at least the value of the premiums that you paid. Protection therefore applies only on the expiry date of your policy, but not if you withdraw your money before the expiry date.

## Fees

Every time that you pay money (a premium) into your investment insurance, you must pay a **tax** of 2% on the premium. Your insurer transfers this sum directly to the state, and the remainder of the premium is the "net premium".

**Entry fees** constitute a return commission for the insurer. These are expressed as a percentage of the net premium and are deducted directly from the amount paid.

## Tip

Always read the **financial information form** before signing the policy. This document should include all useful information about the features and costs of the financial insurance.

## Test your knowledge on investment insurance

### Did you know...?

- ❖ All the conditions of an investment insurance policy are set at the start.
- ❖ Investment insurance policies are favourable where tax is concerned (no withholding tax after eight years and a day).
- ❖ Investment insurance can fully respond to your needs on the subject of inheritance planning.
- ❖ Branch 21 insurance policies offer capital protection (excluding tax and entry fees) and the prospect of a guaranteed minimum return. Furthermore, this minimum return may be increased by profit sharing.
- ❖ With branch 23 insurance, the return depends on the development of one or several asset categories. This insurance does not, therefore, offer any guarantee of returns.
- ❖ With investment insurance, an individual living in Belgium pays a tax of 2% at the moment of paying the premium.

### Like to know more about investment insurance?

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