



Premium Financing Life Insurance

Premium Financing is a strategy offering high net worth individuals an alternative method of funding life insurance premiums. Premiums are borrowed from a commercial lender so that the client's investment portfolio or other assets can remain intact.

Target Client Profile

- Net worth of minimum \$15,000,000
- Needs life insurance, but is interested in evaluating premium funding alternatives
- Has high-performing investments or business interests
- Business owners, real estate developers, family offices and other individuals who understand leverage
- Qualifies both medically and financially for a life insurance contract

Advantages

- Reduce out-of-pocket payments for life insurance
 - An attractive interest rate on borrowed funds results in reduced current net out-of-pocket cost for the life insurance coverage
- Little or no impact on current investment portfolio
 - Obtain needed coverage and maximize the time value benefits of your money without liquidating high-performing assets and paying income taxes
- Potentially favorable gift tax results
 - Grantor of the trust owning the life insurance policy will generally need to gift interest payments only, rather than the entire premium payment

Highlights

- The most common approach involves borrowing at a loan interest rate that is currently lower than what is expected to be earned on investments or other assets
- Lenders require collateral and it is generally made up of the life insurance cash surrender value plus a portion of other liquid assets, including marketable securities.
- At a time in the future, the loan principal is paid back with a planned loan exit strategy which may include payment from the policy cash surrender value. If death occurs earlier than planned loan repayment, the death benefit will satisfy the debt

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