The 3 Ps of Premium Finance

Adam Reyna
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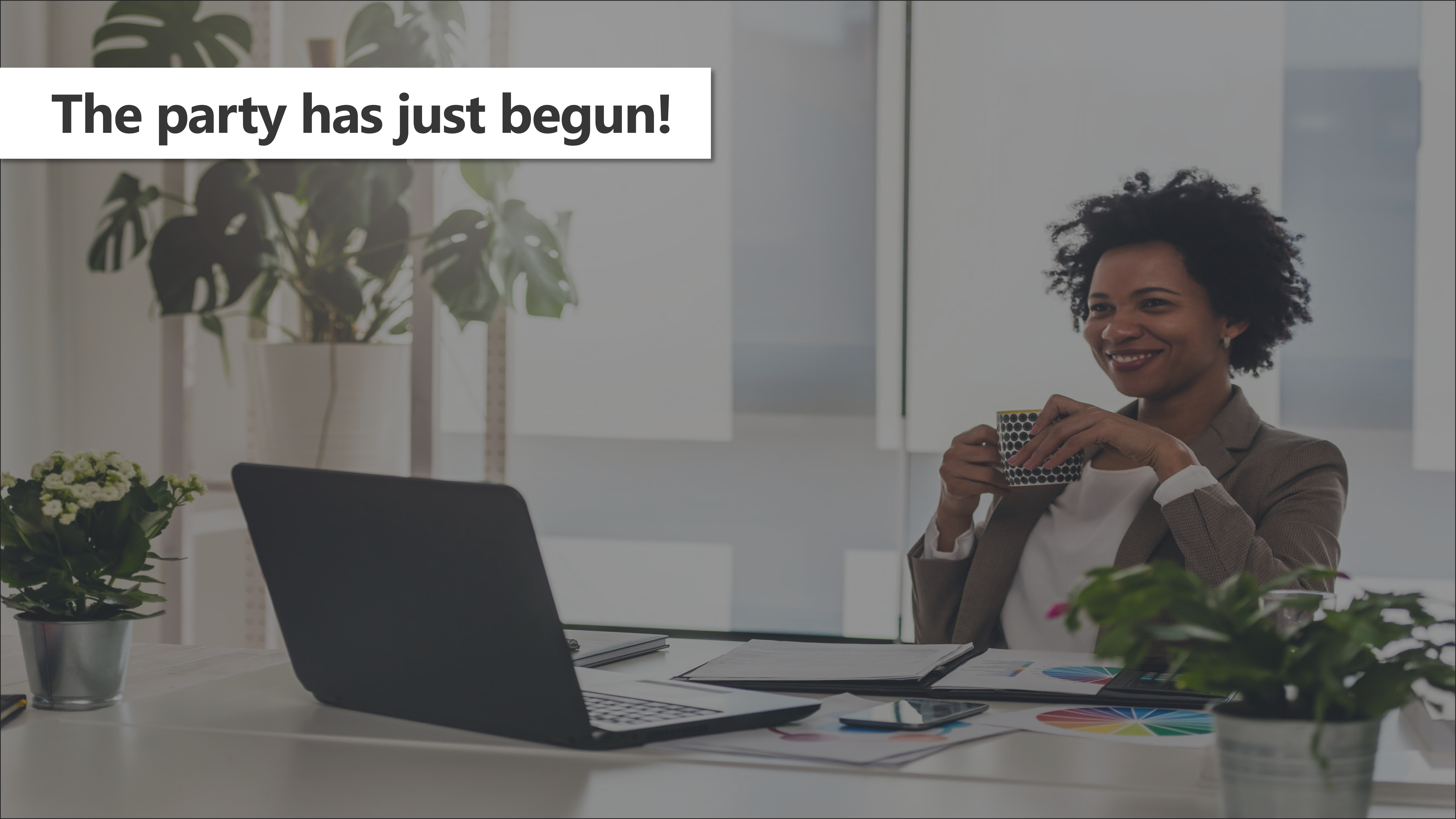
Is the party over?

The party has just begun!



Questions?

Adam Reyna
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SPECIAL OFFER

App Bonus Promotion

Stick around until the end of the webinar to discover how you can take advantage of one of our BIGGEST sales promotions of the year.

Keep Watching to Learn More!

The 3 P's of Premium Finance

People

Product

Process

People

- Client
- Advisor
- LifePro
- Vendor
- Lender
- Carrier

Types of advisors on this call

- Never done premium finance before and don't have clients
- Never done premium finance before but have potential clients
- Has done premium finance but is struggling with the 3 Ps
- Has done premium finance and wants to hear our approach

Clients

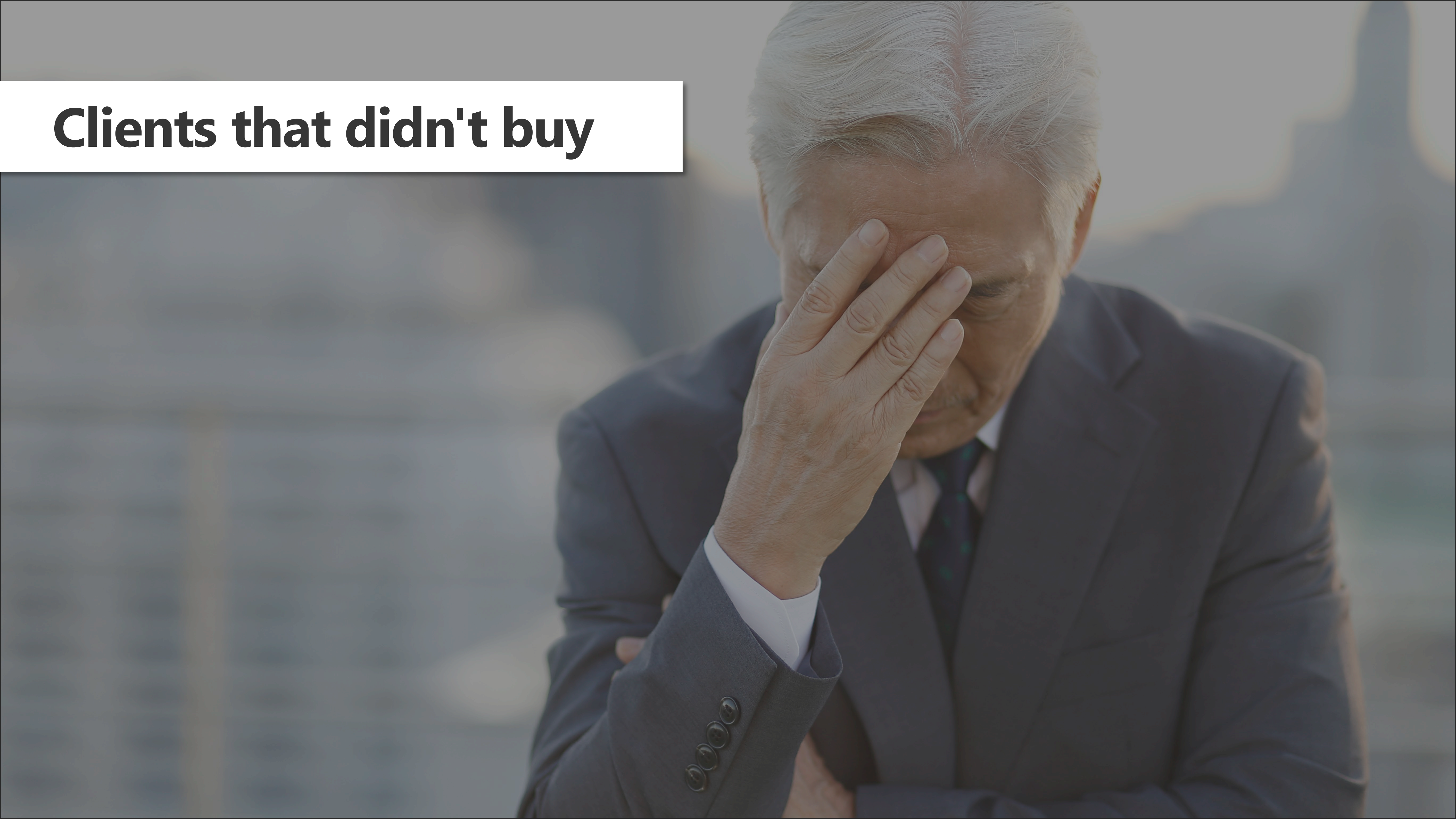
- Income $100k+ AND THAT'S IT!!
- Understands IUL
- Disciplined
- Attentive
- Motivated
- Understands leverage

Event marketing

Current policy owners

Professional network

Clients that didn't buy



Assets under management


Greatest Wealth Transfer

THE KAI-ZEN® STRATEGY

Don’t Simply Retire. Have Something to Retire to.

Kai-Zen® offers you up to an additional 3 times more money to fund a unique cash accumulating life insurance policy using leverage.

60 - 100%
More for Retirement

GET STARTED

Estimate Your Returns

See if you qualify, discover your potential returns and see if Kai-Zen® is right for you.

Your First Name*

Your Last Name*

Your Email*

Your Phone*

Get Free Estimate →

By proceeding you agree to our privacy terms and to be contacted by a NIW specialist.

Quick Results Estimator

This tab allows you to quickly tune and compare designs while you're still deciding on what you are interested in. It is designed for instant quick results while your still changing numbers around so you don't have to wait. Quick design does not keep your data and pull it over should you enroll, Custom design will keep your data but takes longer for each run.

Basic Details

Age *
40

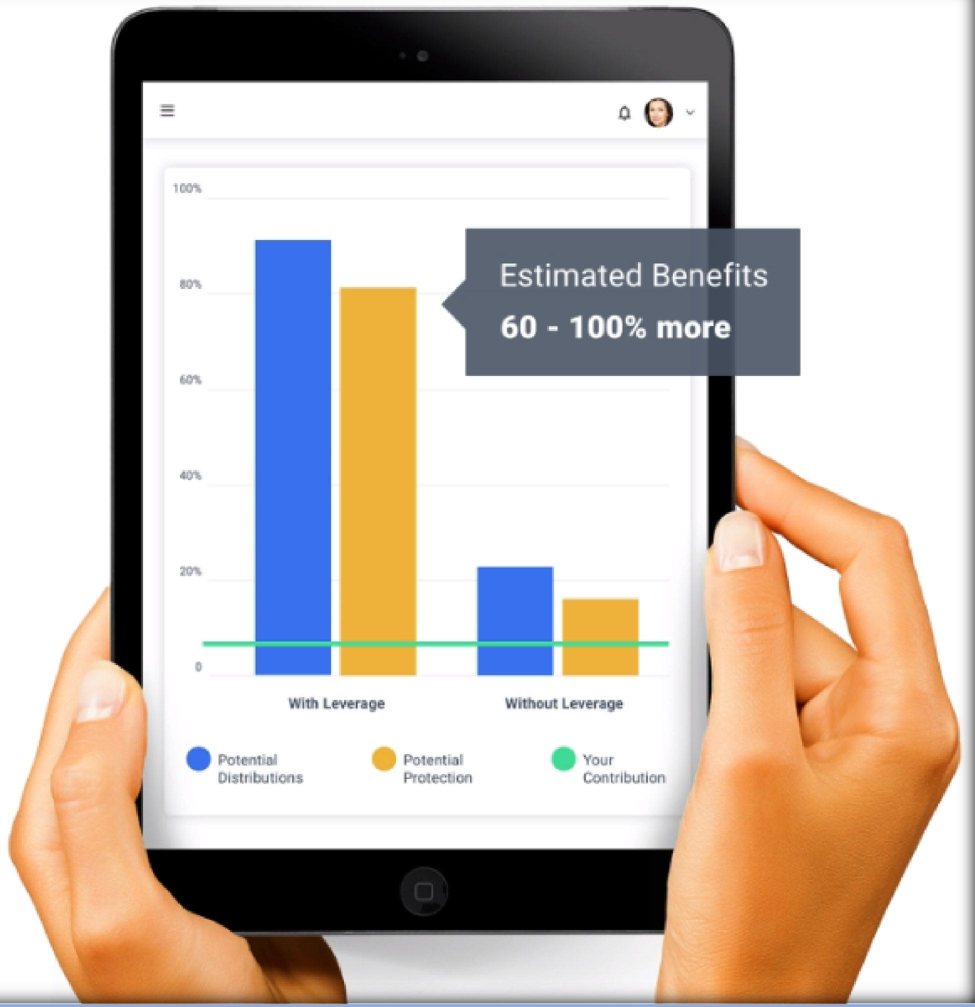
Select Gender *
Female

Annual Contribution Amount

Adjust to change annual contribution amount above.

$34,000

The minimum contribu d on the age selected. For a specific contribution amount please use the custom design tool.



How Kai-Zen® uses smart leverage.

You and the lender contribute for years 1-5. Then the lender uses those contributions as the security fo
all the additional funds added for years 6-10. The excess leverage provides you the poten
to 153.58% more protection and distributions than other non-leveraged choices.

Contribution totals over 10 year period.

Your Contribution ($34,000 * years 1-5)	$170,000
Lender Contributes Up To ($22,639 * years 1-5) ($55,289 * years 6-10)	$389,640

Benefits and distributions by age

Protection   Accumulation

Internal Rate of Return
7.98%

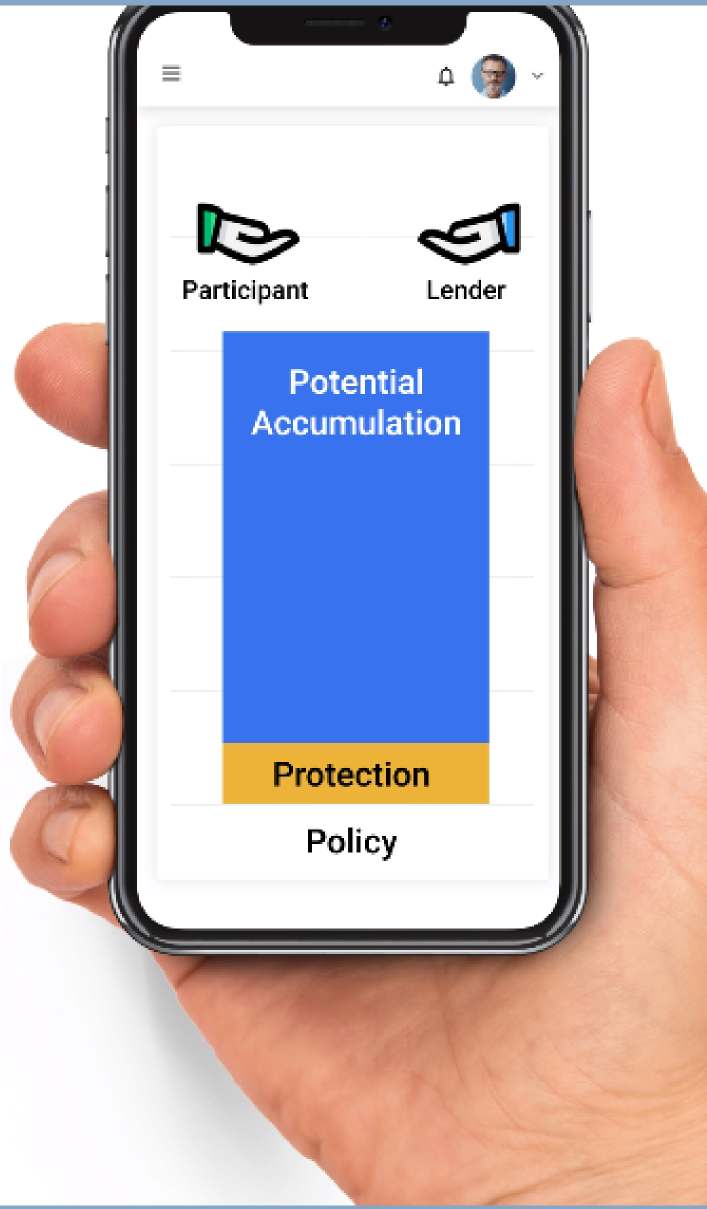
Initial death benefit protection (net of loan) — $1,224,854
Access to living benefit riders

Tax Free Distributions Between Age 65 and 90

Begin potential tax-free distributions — $74,000/ yr
when using policy loans

Age 90 (based off ages set above)

Cumulative distributions taken from age 65-90 — $1,924,000
Remaining death benefit for beneficiaries net of all loan repayments. — $701,790



$170k gifted contribution
$2.63M total benefit

TOOLS & RESOURCES

Collateral to Help You Close Your Next Case

Watch a LIVE demonstration of the ILIA selling platform and utilize client-friendly educational videos and the "Leverage Estate Preservation" Report branded to you and your business.

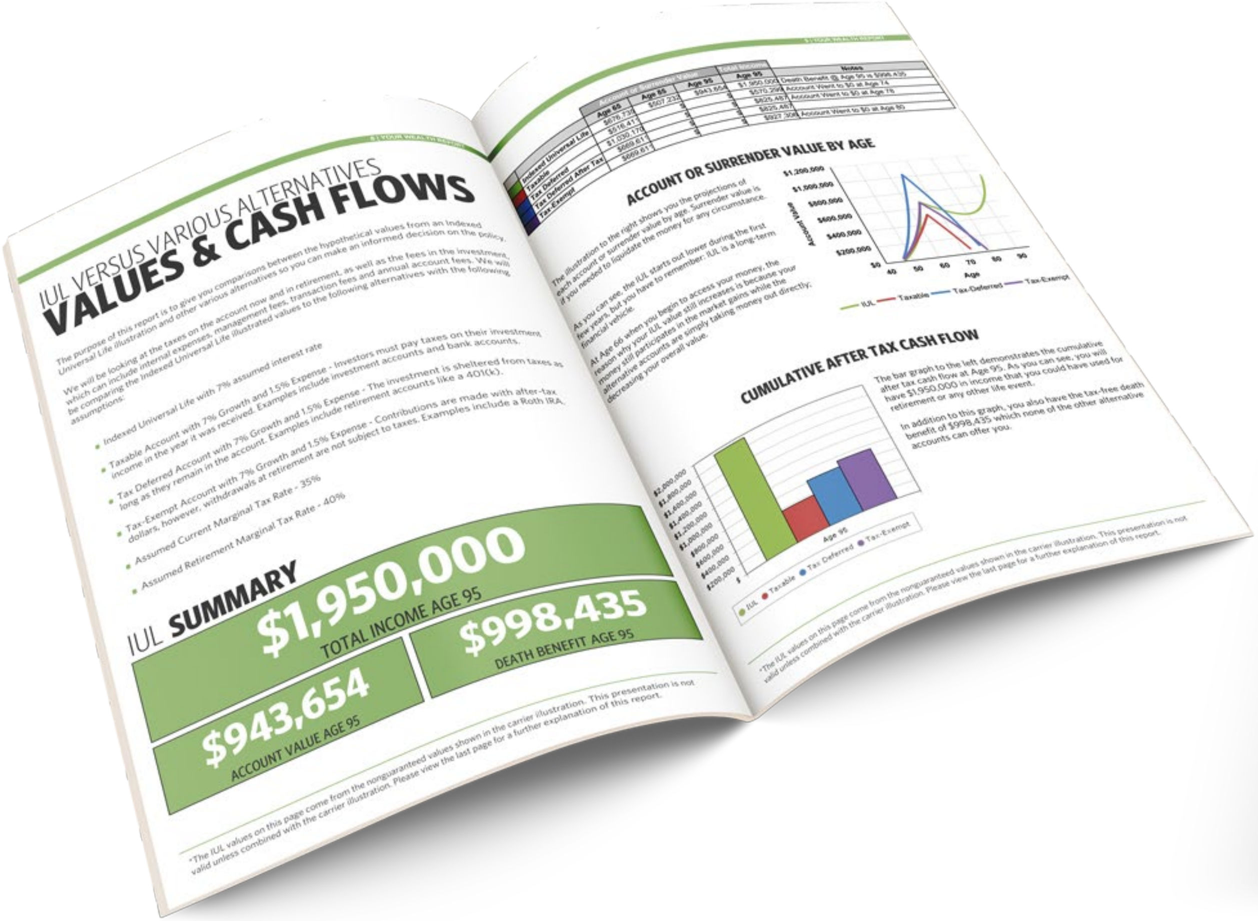
Keep Watching to Learn More!

~~$500 Value~~

No cost!

Product

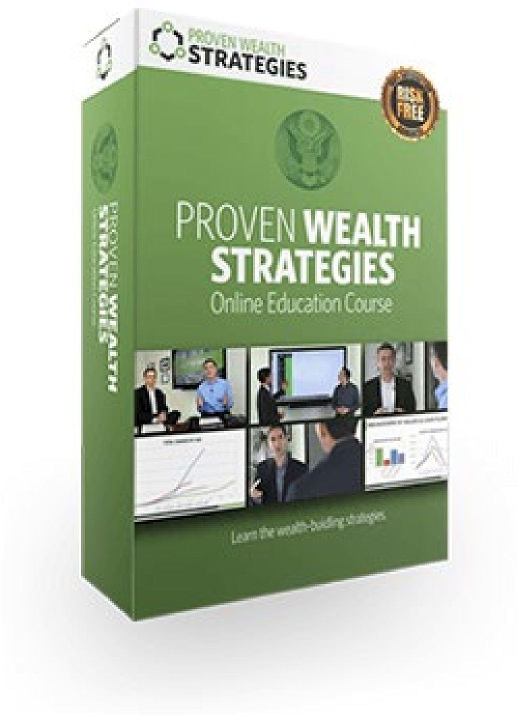
Your Personal Wealth Report



HOW TO ESCAPE THE RETIREMENT TAX TRAP

DISCOVER THE WEALTH-BUILDING PRACTICES USED BY THE TOP 25%

Presented by: [Agent Name], [Title]
[Company Name]



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By Sal Mendoza — August 22, 2022

Episode #252: Is Your Retirement Plan Government Sponsored or Privately Funded?

In this episode of Money Script Monday, Sal compares two retirement plans, one through the government and one through a life insurance carrier, and explains the benefits and shortfalls between the two.

Read this post

By Gabe Lindemann — August 18, 2022

Get Ready For College Planning Season 2022

In Gabe's latest article featured in Broker World Magazine, he forecasts what the 2022 college planning season has in store and how financial advisors can take the stress off of families while helping their kids attend their dream schools.

Read this post

By Brian Manderscheid — August 15, 2022

Episode #251: Is the 60/40 Portfolio Dead?... Introducing the New 60/20/20

In this episode of Money Script Monday, Brian illustrates a new portfolio design to further diversify retirement plans and mitigate risks like market volatility and running out of money.

Read this post

By Parker Obert — August 8, 2022

Episode #250: 5 Steps to Building a Credible LinkedIn Profile

In this episode of Money Script Monday, Parker breaks down 5 easy steps one can take to set up their LinkedIn profile to make a great first impression online.

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Episode #170: How to Compare IUL to Alternatives Using a Wealth Report

By **Adam Reyna** | November 16, 2020

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Autumn is the season when farmers all over the country harvest their crops that were planted last spring. How rewarding it must be for them to start from a small seed, to water and feed it and watch it grow, and then to reap the bounties that their hard work has produced!

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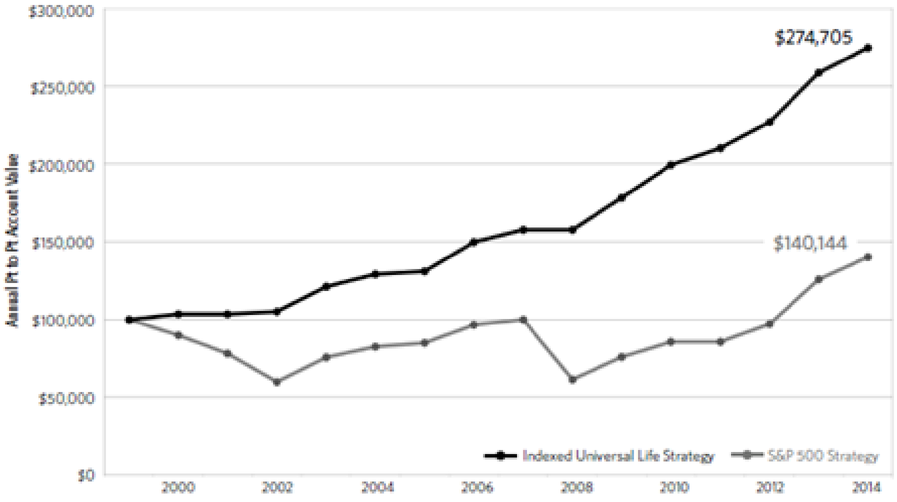


The above graph illustrates the growth on $100,000 into hypothetical indexed returns beginning January 1st 2000 through December 31st 2014. This graph assumes S&P 500 returns excluding dividends, taxes, fees and a hypothetical IUL S&P index at an 11% cap rate. This graph does not predict further index results nor represent any specific carrier or product.

Index Crediting Continued

In order to understand the mechanics behind indexed crediting further, let's explore what's going on behind the scenes at the insurance company.

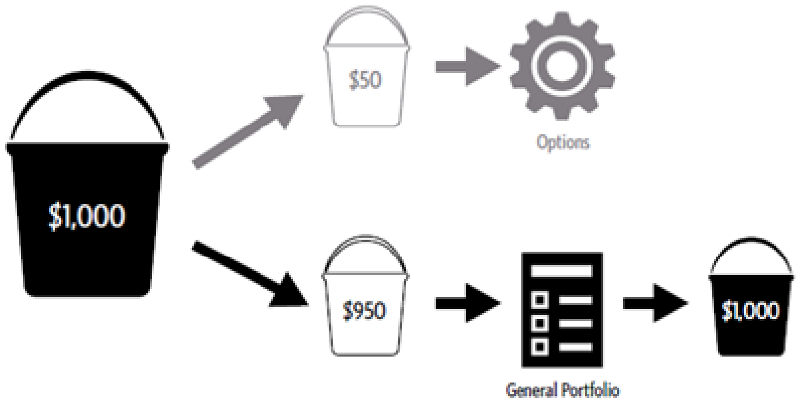
For this example, we are going to use a $1,000 annual premium and take mobility costs out of the equation for simplicity. When we give the insurance company $1,000 they will separate the premium into two separate accounts. First, roughly $950 or 95% of the premium will be placed in the insurance company's general portfolio. At today's interest rates the insurance company earns roughly 5% on their general portfolio. At the end of the policy year the $950 earning roughly 5% will equal $1,000 at the end of the year, thus creating the annual floor of 0%. The insurance company mainly purchases investment grade bonds and other fixed interest instruments in their general account to back the contractual guarantees of the policy. There are regulatory agencies which dictate the type of investments insurance companies can use to back up the contractual guarantees.

The additional $50 or 5% of the premium is used to buy options in an external benchmark index. The insurance company will use the services of an investment bank to hedge the options, although some companies hedge internally. If the external benchmark index has a positive return, the option trader will call the option and provide the return to the insurance company up to the cap or participation rate agreed upon. In our example, the $50 option budget was able to afford a 12% cap rate with a 100% participation rate. If the index has a negative return the option is not called and no return is provided. Regardless of the performance of the external benchmark index, you are always made whole at the end of the year as the $950 grows back to $1,000 at the end of the year.

It's important to note that with an Indexed UL policy you are never directly invested in the stock market. In our example, 95% of your money was placed into the insurance company's general portfolio and the remaining 5% were used to buy options in an external benchmark index.

How Crediting is Earned Inside Indexed Universal Life (IUL)

The below illustration demonstrates a simplified version of the way credit is earned inside an IUL policy. Most of your money is put into a general portfolio consisting of highly rated investment grade bonds. While the other portion is used to purchase options



In addition, it's also important to point out that interest rates and volatility have an effect on cap rates and option pricing. In our previous example the insurance company was earning roughly 5% of their general account. Let's assume interest rates drop further than they are today. The effect is that the insurance company is only able to earn roughly 4% on their general portfolio. In this example the insurance company needs to place $960 of the $1,000 into their general portfolio to make the client whole at the end of the year. This means that only $40 will be left to purchase options. In this scenario, the $40 may only be able to purchase a 10% cap rate rather than a 12% cap rate.

As mentioned, Interest rates have a correlating effect on cap rate changes. If interest rates increase in the future cap rates will also experience an increase. For example, if interest rates increased from roughly 5% to roughly 6% the insurance company would only have to place $940 into the general portfolio which allows $60 to be used to buy options. In this example $60 may be able to purchase a 14% cap rate instead of a 12% cap rate.

In addition to interest rates, volatility also has an effect on cap rates. There is a converse relationship to volatility and cap rates. The less volatile the external benchmark index the lower the option price, which affords higher cap rates. The higher the volatility the higher the option price, which affords lower cap rates. Basically, cap rates can change if the stock market is experiencing or is likely to experience wild swings. Life insurance carriers have developed more exotic index allocation strategies which focus on reducing volatility and therefore are able to afford higher cap rates. Some of these index options include both equity and bond weights, either preset or dynamic, in order to control volatility.

BROKER WORLD

Insurance Planning—How To Accomplish More With Less

By **Adam Reyna** - June 1, 2022

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Episode #238: Premium Finance 101: Risk vs. Reward

By **Adam Reyna** | May 2, 2022

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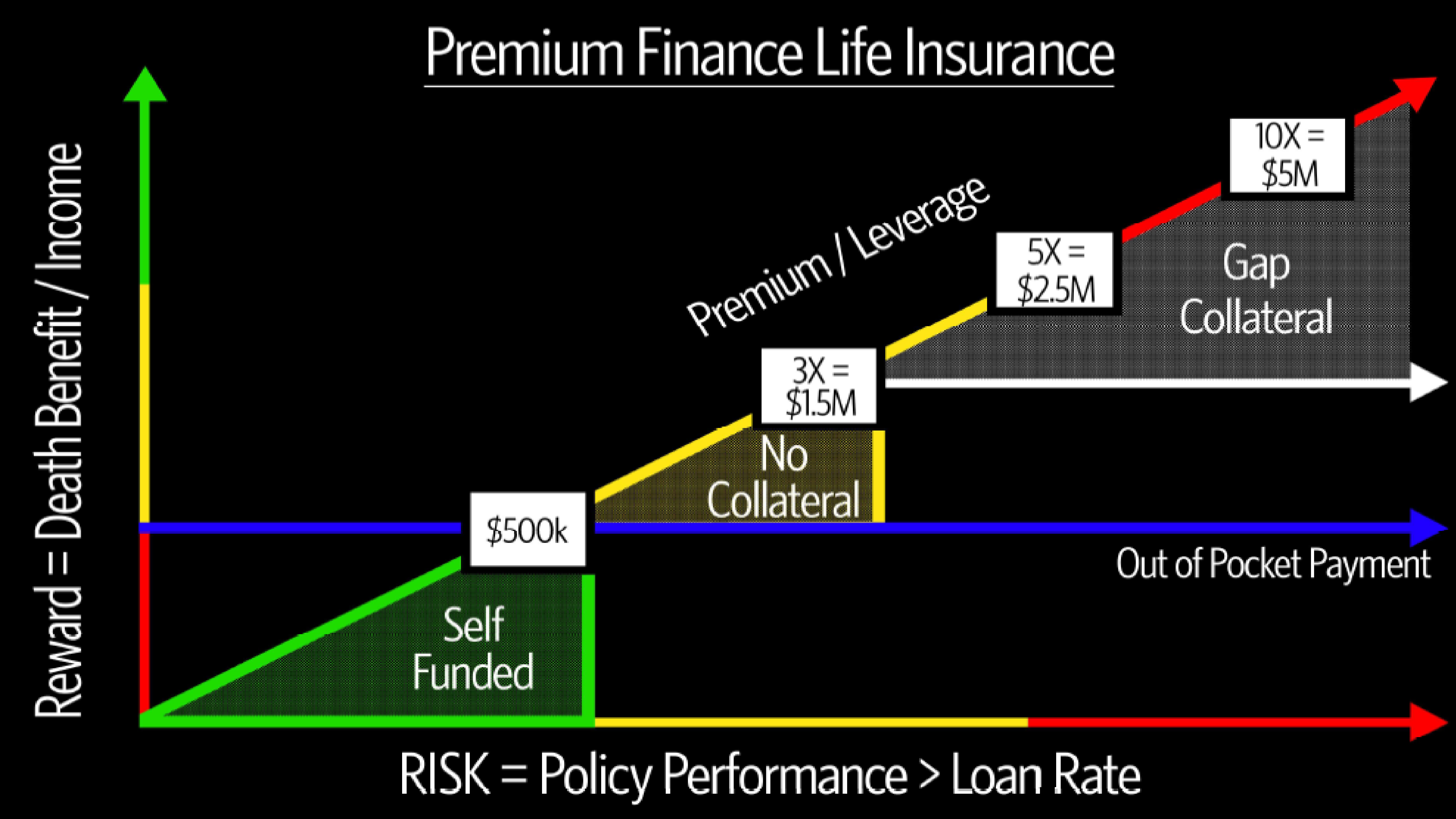
With inflation running red hot and the fed likely to raise rates multiple times this year, it is safe to say that retirees are worried about where to keep their hard-earned dollars safe. Luckily, the benefits of life insurance provide security and can even be leveraged to boost returns through financing premiums.


Premium Finance Life Insurance
Reward = Death Benefit / Income
Premium / Leverage
10X = $5M
5X = $2.5M
3X = $1.5M
$500k
Gap Collateral
No Collateral
Self Funded
Out of Pocket Payment
RISK = Policy Performance > Loan Rate

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Process

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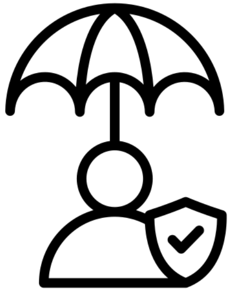
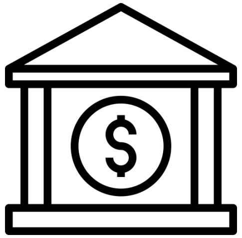


Carrier



Lender

Process

- How to solve – tell us objectives?
  - Specify out of pocket (OOP)
    - How long do they want to pay?
  - Specify death benefit
  - Specify future income
  - Specify leverage

The party is NOT over!!