

# The 3 Ps of Premium Finance



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Vice President, Field Support

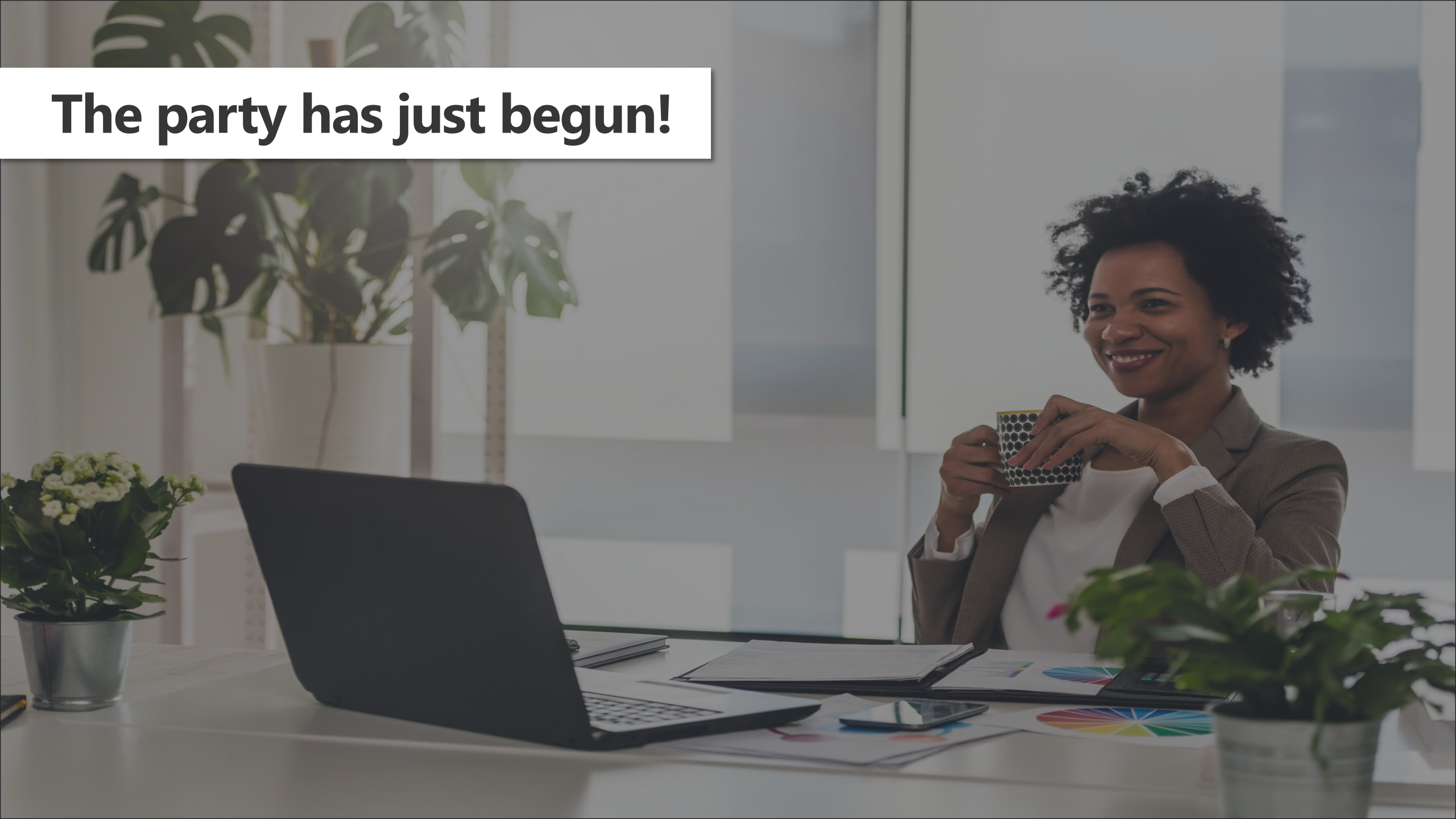
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**Is the party over?**





**The party has just begun!**



# Here's What You'll Learn

*The 3 P's of Premium Finance*



**People**



**Product**



**Process**



# P1 - 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

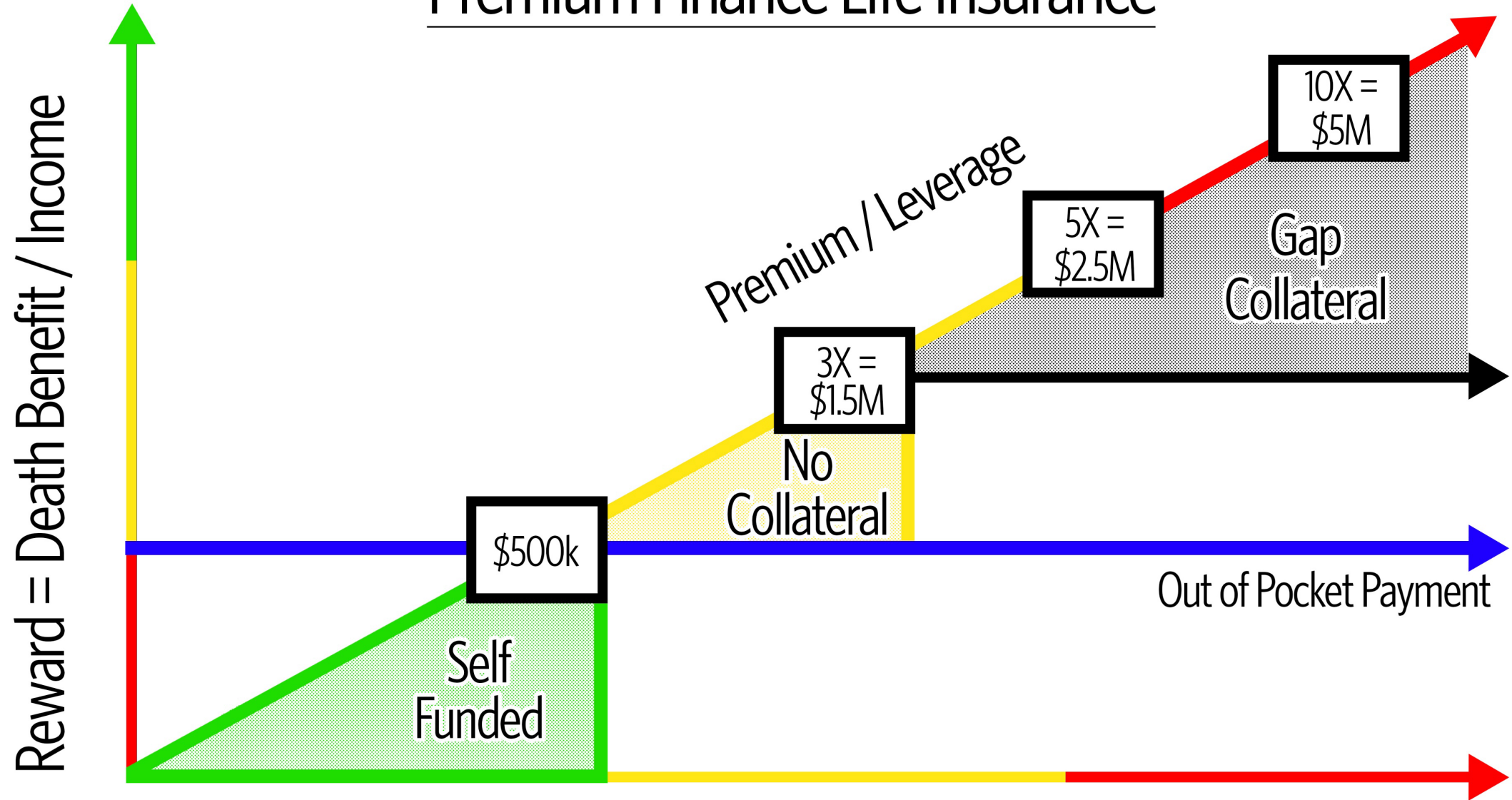
*What type of client qualifies?*

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





# Premium Finance Life Insurance



RISK = Policy Performance > Loan Rate

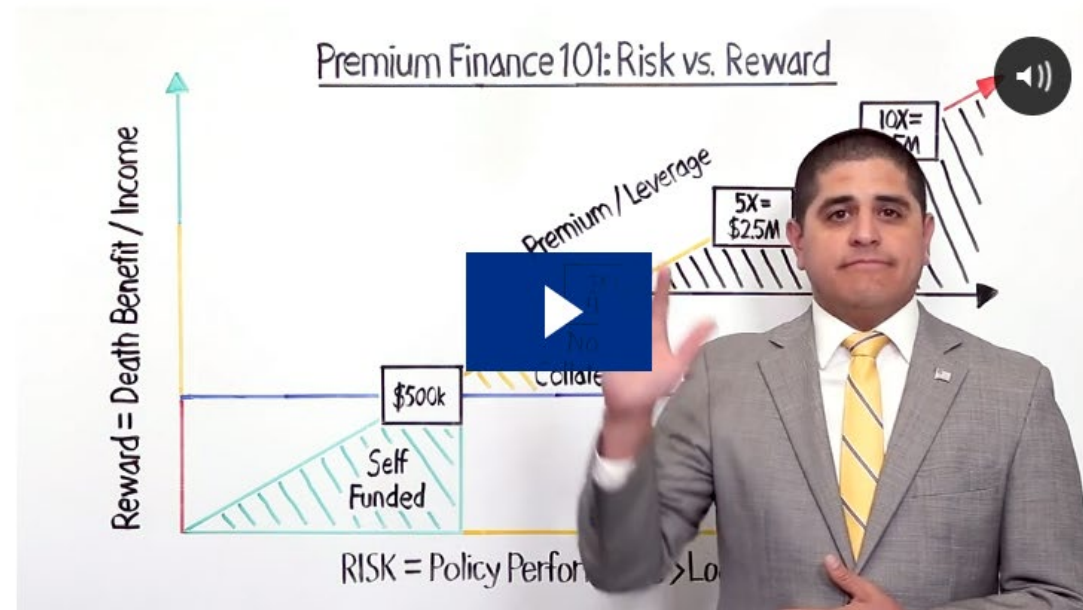


## Episode #238: Premium Finance 101: Risk vs. Reward

By Adam Reyna | May 2, 2022

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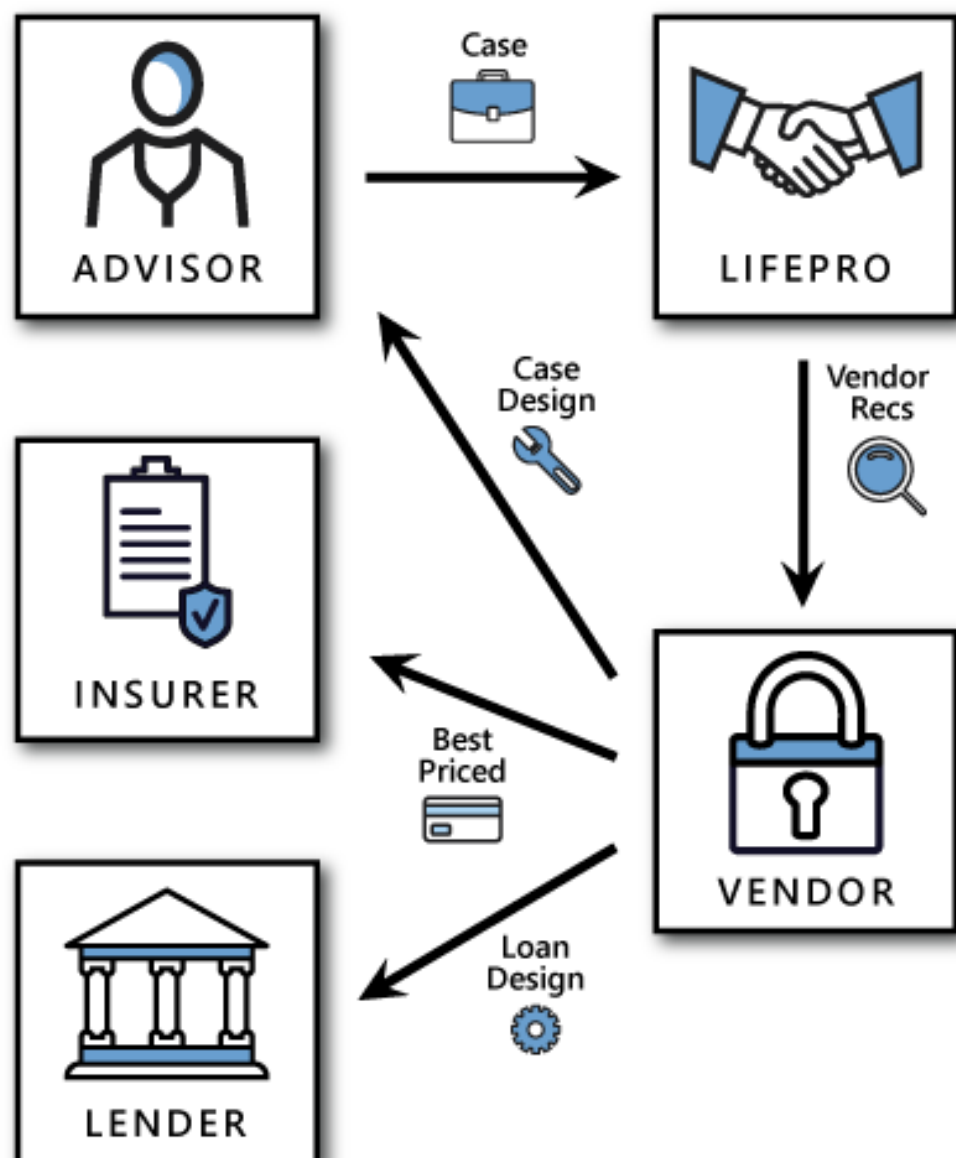
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# Choosing the Right Vendor









1. **Contact** LifePro to qualify your case and gather all the paperwork.
2. **Choose** the right vendor and insurance carrier.
3. **Complete** bank loan application and necessary follow-up.
4. **Review** closing documents and delivery requirements.
5. **Design** a high-value life insurance policy to align with the client's goals.

# P2 - Product







## Leveraged Estate Preservation Plan

An efficient life insurance funding strategy to plan for estate taxes and leave a legacy



Prepared

NOVEMBER 7, 2022

### Introduction



#### Sample Agent

Premium Finance Advisor  
Tel: (888)543-3776  
Em: lifeproinc@gmail.com  
<https://www.google.com>

#### Meet My Back Office



#### Advanced Designers

Designs conservative premium financing strategies built for longevity and efficiency.



#### Account Management

Oversees all account activity within premium financed life insurance policies.

Helping you protect and secure your legacy while creating an enduring impact for future generations.

If you are like many of my clients, you have achieved considerable wealth and assets over your lifetime. It is your responsibility to ensure that your estate is protected and your legacy is preserved.

Life insurance is the centerpiece with the protection you need to ensure your family's future.

However, your high net net level of life insurance which pay the high premiums. This is where we can help.

We specialize in assisting you with the protection they need at an exclusive leveraging rate.

With sufficient collateral, a planning tool which can be today while financially prudent.

### Report Summary

#### Overview

This premium financing report analyzes three specific life insurance policies that are available in order to begin to plan for estate taxes. The three comparisons included in this report are:

- Guaranteed Survivor UL
- Non-Financed Survivor UL
- Premium Finance at 5.77%

An additional calculation was done to the premium financing option. It is a "stress test" that accounts for a less favorable interest rate. This is a beneficial way for you to see how premium financing can withstand such unforeseen events including stock market fluctuation and insurance carrier modifications.

The goal is to show you the ability to leverage a life insurance policy that provides the liquidity needed for estate taxes. This also helps minimize the out of pocket expense normally incurred when paying annual premiums.

By pledging collateral in lieu of paying premiums and interest, you gain the unique ability to maintain control of your assets, minimize opportunity costs associated with payments, and minimize gift taxes.

In summary, we recommend the premium financing option of an indexed universal life (IUL) insurance policy so you can have the flexibility to plan for estate taxes while maintaining control of your assets and cash flow.

#### Summary Values at Age 90 \*\*

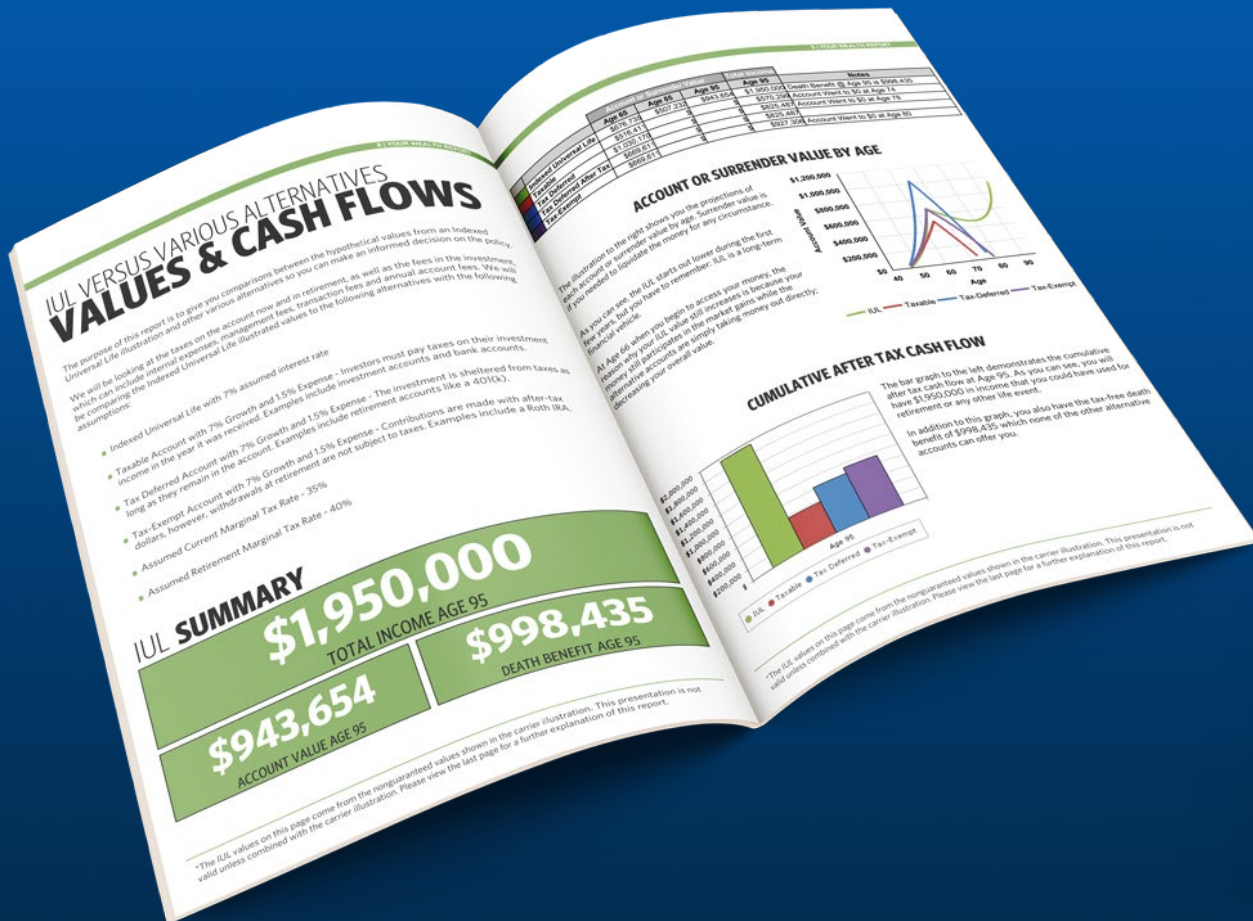
The chart below summarizes the key values of the three life insurance policy options at age 90. An additional stress test (blue) was conducted to the premium financing option to illustrate when a less favorable interest rate may be received.

	NO ACTION TAKEN	GUARANTEED SURVIVOR UL	NON-FINANCED SURVIVOR UL	PREMIUM FINANCE AT 5.77%	PREMIUM FINANCE - STRESS TEST AT 4.77%
Out of Pocket Costs	\$15,377,789	\$2,835,360	\$2,550,000	\$2,550,000	\$2,550,000
Death Benefit	\$0	\$10,000,000	\$10,000,000	\$18,677,061	\$13,125,057
Cost Compared to Benefit	100%	28.35%	25.50%	13.65%	19.43%
Death Benefit Internal Rate of Return	No Death Benefit	7.7%	6.2%	9.7%	7.5%
Cash Value	\$0	\$0	\$6,245,022	\$8,677,061	\$1,125,057
Cash Value Internal Rate of Return	No Cash Value	No Cash Value	4.09%	5.6%	0.9%

⚠️ 4.77% - If no action is taken, the estate taxes would be paid out of pocket which means assets may need to be liquidated.

This summary is not an offer, contract, or promise of future policy performance. Actual policy values may be more or less favorable than the projected values shown. Coverage is subject to the terms and conditions of the policy. The assumptions on which this summary is based are subject to change on an annual basis. \*\* Guaranteed age can be confirmed upon request.

# Your Personal Wealth Report



## LifePro Blog

All of the latest and breaking life insurance and annuity news for the independent financial professional.  
Includes marketing ideas, training events, industry reports, sales ideas and much more.



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.

[Read this post](#)



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## Episode #127: Proof That IUL Really Works

By Kevin Nuber | December 16, 2019

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Americans are inundated with all the information now available on the internet. As consumers, it is our responsibility to sort through the positive and negative feedback, and more importantly, facts from fiction when we're ready to buy.

In this episode of Money Script Monday, Kevin presents 3 essential keys to gain confidence in your Indexed Universal Life policy and provides examples of real life IUL success stories.





# Ensign

## A SUMMARY OF YOUR POLICY VALUES

Life insurance proposal for  
**Adam Reyna**

### PROPOSED PRODUCT

**Allianz**

Life Pro+ Advantage



Illustration PDF

Important policy ages to  
consider forecasting:

**Age 45** - Is your policy start age.

**Age 56** - Is your expected income  
distribution.

### PROPOSED PREMIUM

Annual Contribution  
**\$50,000**  
For 10 Years

Total Contribution  
**\$500,000**

### FORECAST VALUE BY AGE

90



Change the age input to  
explore summary values.

### WHAT YOU RECEIVE

**Tax Free**  
Cumulative Income  
**\$1,938,615**

+

**Tax Free**  
Death Benefit  
**\$614,346**

Total Value  
**\$2,552,961**

## THE EFFECT OF TAXES ON ASSETS

Drawing the same amount from  
a taxable asset could provide  
less income after taxes  
compared to the tax free  
advantages of life insurance.

### ENTER A TAX RATE TO SEE THE IMPACT

35%



This document is designed to provide  
general information on the subjects covered.  
Pursuant to IRS Circular 230, it is not  
intended to provide specific legal or tax  
advice and cannot be used to avoid penalties  
or to promote, market, or recommend any  
tax plan or arrangement. You are encouraged  
to consult your personal tax advisor or  
attorney.

You could receive more income with life insurance compared to assets that are taxed.  
See the difference in income per year from **age 56 – 100**

### Life Insurance

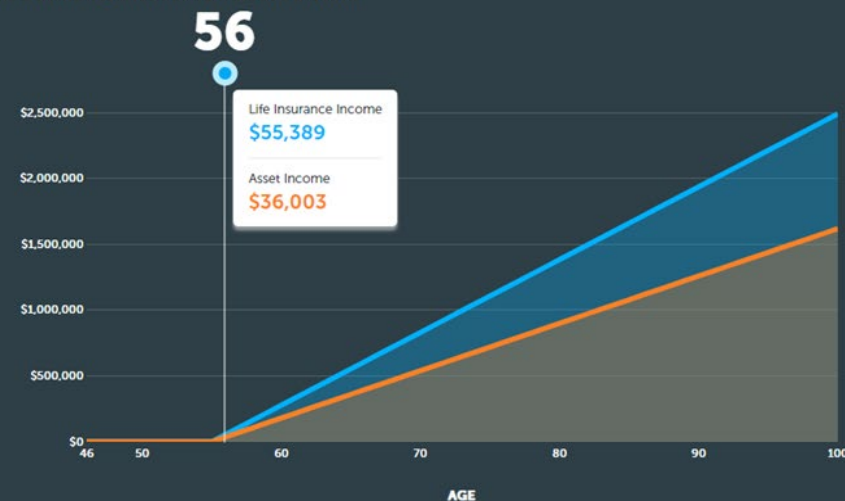
Income Per Year  
**\$55,389**  
**Tax free**

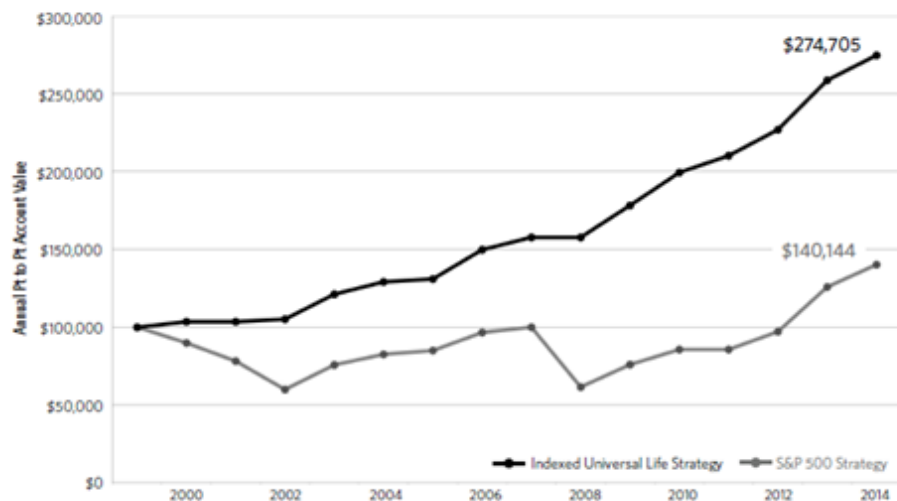
### Taxed Asset

Income Per Year  
**\$36,003**  
**After 35% tax rate applied**

### Move the Pin

To see the differences in cumulative income





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.

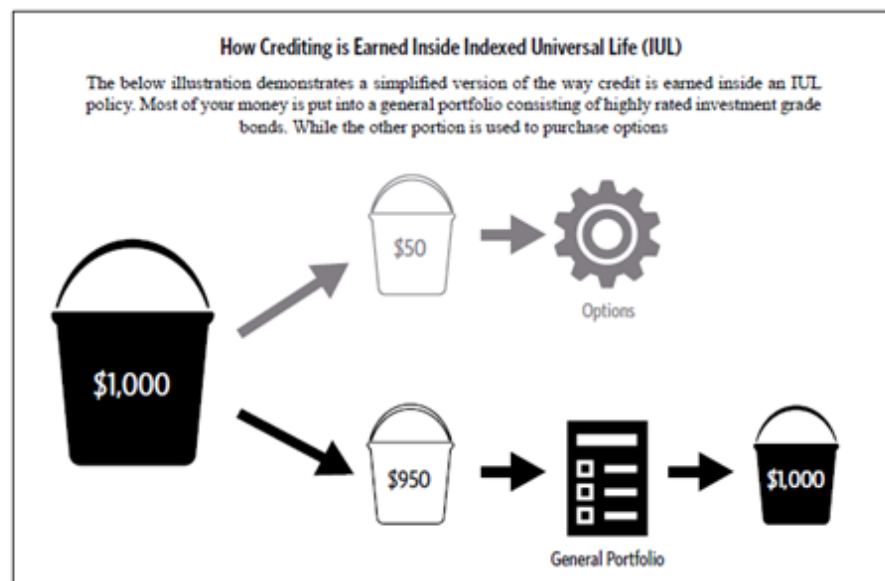
### Index Crediting Continued

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 mortality 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.



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.

# 5 Branded Premium Finance Videos



Your Company Name

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## Episode #245: Two "Different" Ways Premium Finance Can Amplify Your Wealth

By Kyle Tomko | June 27, 2022

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Buying a home seems like a financially simple process: put a down payment and mortgage the rest of the balance. But what if the asset class were to change, for example, to a life insurance policy? In fact, the same rules can apply to help finance the contract, allowing individuals to leverage their available assets elsewhere.

In this episode of Money Script Monday, Kyle breaks down two different scenarios where premium finance can be utilized to maximize retirement income or preserve wealth and legacy.



LifePro®  
Easy To Do Business With

Adam Reyna  
(888)543-3776  
adam@lifepro.com

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

By Adam Reyna | May 2, 2022

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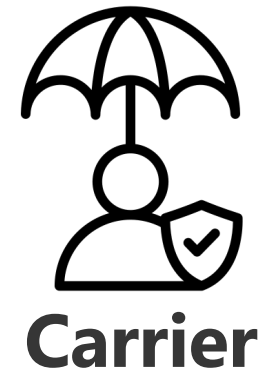
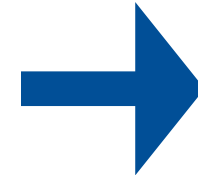
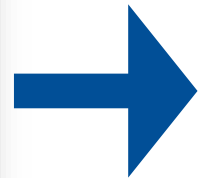
# P3 - Process



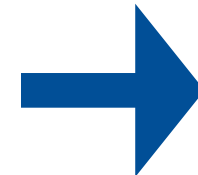
# Advisor



**Advisor & Client**



**Carrier**



**Lender**



# P3 – 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





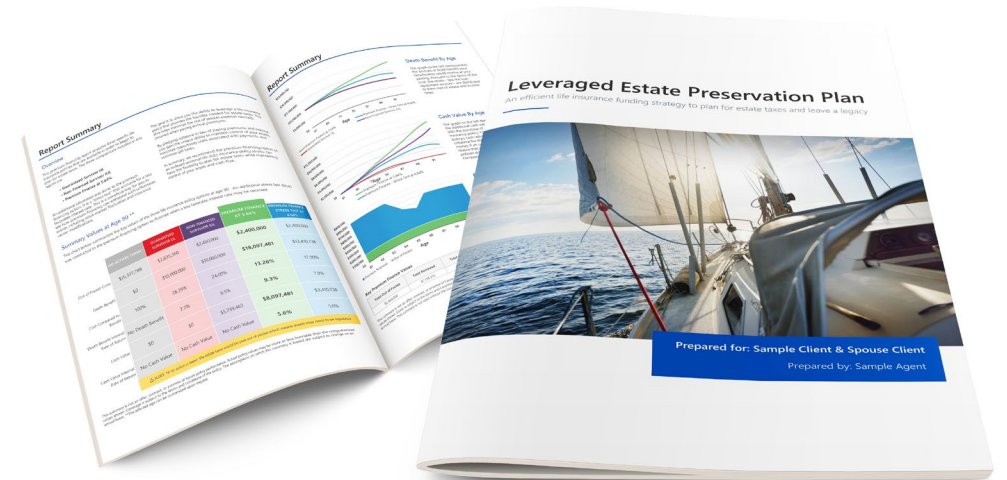
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**The party is NOT over!!**



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~~\$500 Value~~  
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**SPECIAL OFFER**

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Gain expert advice on lead generation, prospecting,  
and creating premium finance cases from someone  
who's been in your shoes.



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