

Life Insurance Premium Financing

Premium Financing may be the solution for those high net-worth individuals who need life insurance but have a better use for dollars that would otherwise go to pay premium.

Many wealthy individuals require substantial life insurance coverage for business planning, estate planning or income replacement purposes. Premium financing is a method of funding the purchase of life insurance for those who have significant assets, but do not have (or want to use) liquid capital to pay the premium on a life insurance policy. By borrowing the money to pay the life insurance premiums, the insured frees up capital that can be used more efficiently for other uses. The use of financing for premium payment lowers out-of-pocket costs and potential gift taxes.

Prospects for premium financing typically represent a minimum net worth of \$5,000,000 – 10,000,000. Collateral for the loan financing the life insurance usually consists of personal assets and can be offset by the cash value in the policy being financed. In most instances the entity borrowing the money must be a corporation, partnership or trust.

Premium financing programs are developed jointly between insurance carriers providing the coverage and lenders providing the financing, though the insurance carrier is not a party to the loan arrangement. Each particular plan has its nuances and advantages.

Plan Highlights

- Target market is an individual with an estate of at least \$5,000,000, purchasing a life insurance policy with a premium of at least \$100,000. Most programs limit the borrower to a corporation, partnership or trust.
- Frees up business or personal investment capital for more efficient usage.
- Leverages the available assets to provide needed insurance coverage with minimal out-of-pocket expenses.
- Potential to minimize gift taxes.
- Lends itself to sophisticated business and estate planning strategies.
- Loan rate typically tied to a published rate such as LIBOR, plus a set spread.
- Collateral needed on loan can be offset by cash values growing tax-deferred in policy.
- Can provide substantially greater internal rate of return on life insurance policy death benefit paid over non-financed methods.

Premium Financing programs are offered through some of the top financial service professionals in the country working with highly rated life insurance carriers.

For more information about the benefits of Premium Financing, please contact:

