FINANCED LIFE SOLUTIONS

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Overview

- What is it?
  - Wealth Transfer Tool
  - Corporate Benefits Tool
  - Retirement Income Solution

- What does it do?
  - Provides for permanent life insurance funded with nominal out of pocket cost
- Benefits
  - Nominal out-of-pocket costs
  - Preserves asset liquidity
  - No loss of asset control
  - Provides structural down-side protections
  - Lifetime exemption and annual exclusions are kept intact and can be used for other investments
  - Loan exit strategy is built into design, utilizing policy cash value

Overview

- Who is it for?
  - $10M + net-worth
  - 30-70 Wealth Transfer Solution
  - 30-55 Cash Stream Retirement Income Solution

Client Options

- Pay estate taxes to the Government
  - What assets will be sold?
  - What percent of value will you get for those assets (fire sale)?

- Reduce Taxable estate by gifting assets
- Takes time
- Loss of control, income sources
- I don't want to now, maybe when I'm 80

- Purchase insurance using own capital
- Premiums to life expectancy
- Gift tax on premiums
- Purchase Insurance using the Financed Life Solution

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Harnessing the Capital Markets and IUL

- Using capital markets to buy life insurance products that have historically outperformed the cost of borrowed funds

- The outperformance of the product over the cost of funds creates a policy account value that can be used to potentially payoff the loan

- Relies on a minimum of 2% arbitrage between loan rate and product performance (average spreads over 5 and 10 year rolling periods exceed loan costs by 2 – 4% from 1986 to present)

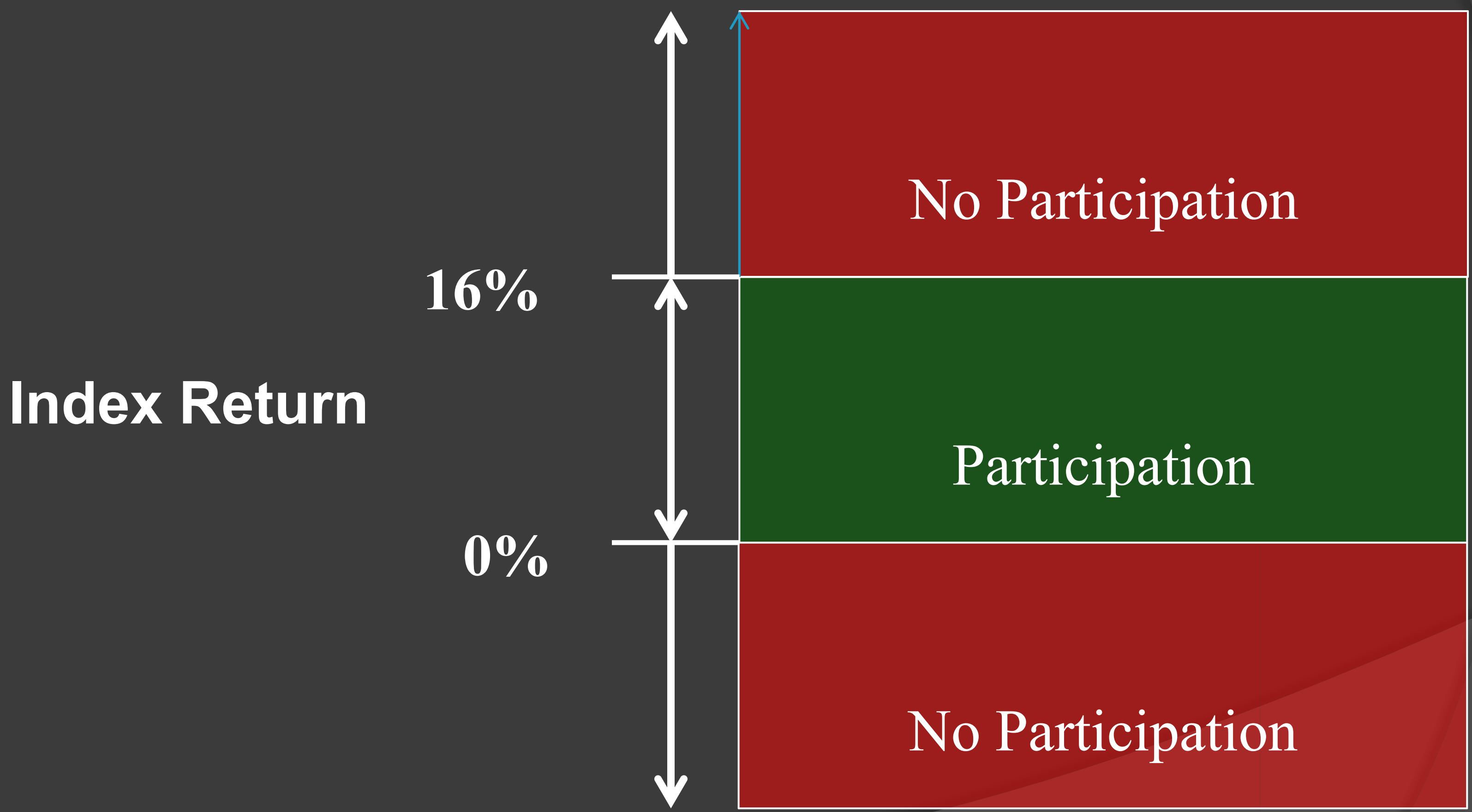
- Utilizes indexed universal life insurance products that portions off equity market up-swings, with a guaranteed floor return of 0-2%

- Life insurance contract with no exposure to market losses (Life contract states that the crediting floor will be between 0 – 2%)

The Engine - Indexed Universal Life

- Captures market upticks and maintains value during downturns
- Policy cash value is credited with interest based on various equity indexes
- Cash value will not decrease below the policy floor, even if the index has a negative return
- Participation will be capped at a certain amount, even if the index goes higher
- Growth is locked in at each year-end and becomes part of cash value

Indexed Universal Life



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IUL - Historical Results

Allianz Life	1 Yr.	5 Yr.	10 Yr.	25 Yr.
S&P 500 Monthly Sum	24.10%	8.82%	7.24%	8.48%
Nasdaq 100 Monthly Sum	26.54%	10.33%	7.49%	8.23%
S&P 500 Annual	11.50%	9.10%	7.19%	6.94%
Blended Index Annual	15.85%	8.26%	7.16%	8.71%
Blended Index Monthly Average	12.19%	11.27%	11.81%	7.31%
Nasdaq 100 Annual	10.50%	7.99%	8.31%	7.05%
S&P 500 Index	*32.42%*	*9.07%*	*7.36%*	*10.28%*
Annualized returns through December, 2013				

		1 year	5 year	10 year	25 year
Average Loan Rate		2.07%	3.48%	3.85%	6.02%

Case Example 1

- Client Summary
  - 42 year old male
  - Desires both death benefit and retirement income

- Current Situation
  - Paying $35,000 in premiums per year
  - $10,000,000 20 year term death benefit
  - $700,000 VUL contract for future income
  - $99,000 projected future income

- Revised Situation
  - Pay $35,000 in interest cost for 10 years
  - $10,000,000 permanent death benefit
  - $315,000 projected future income

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Case Example 2

- Client Summary
  - 60 year old female
  - Significant estate tax liability
- Option 1: Pay Premiums out of Pocket
  - $135,000/year premium plus the use of lifetime exclusions or gift tax exemptions
  - 30 year expenditure - $4,050,000
  - Death benefit $8,000,000
  - Net benefit to family at age 85 - $4,625,000
- Option 2: Utilize Financed Life Solution
  - Death Benefit - $10,000,000 dropping to $8,000,000
  - Pay interest for 10 years - $45,000 / year
  - 30 year expenditure - $450,000
  - Net benefit to family at age 85 - $15,378,595 (includes re-investment of retained capital)

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Risks

• Interest rate fluctuations

• Product under-performance

• Client’s long-term inability to post collateral

• Lender reliability or requirement changes

•Re-financing risk

Risk Mitigation

- Proper design, structure, and carrier/product selection
- Client capable of increasing collateral if needed
- Client capable of paying some out of pocket costs if needed
- Ongoing management of policy and review of indexing options, allocation to various indices, etc
- Annual loan review

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Summary

• Cost to the client is far less than paying the estate tax or paying for the insurance out of pocket

• Maintain control of capital, and keep it working at higher rates of return

• Lifetime exemption and annual exclusions are kept intact and can be used for other investments

• Loan exit strategy is built into design, utilizing policy cash value

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