Take Market Risk OFF THE TABLE

Using life insurance as a non-correlated asset class and achieve IRRs up to 16%.

With an 11 year bull run and historically low interest rates both clients and their advisors are constantly looking for tax efficient ways to save for retirement while minimizing market risk. For decades executives and high income earners have used life insurance as an attractive savings vehicle. Money paid into the policy grows tax deferred, and when pulled out via policy loans is **tax free**.

The early plans were used with variable life insurance where the cash value was invested in a sub account. Thus, the client had no downside protection. But what if we could use a similar strategy to generate potential IRRs of **14-16%** after tax and take market risk off the table?

Well there is such a strategy that many high net worth clients use but few advisors know about it. It's a little known asset class where we use a premium financing strategy with a fixed indexed universal life policy.

With an IUL you have a floor of typically 0% so the crediting rate will never be less than 0%

Cash value inside the policy grows tax deferred

When properly structured the distributions from the policy are tax free

Many policies come with a 1 million benefit or more for a long term care event

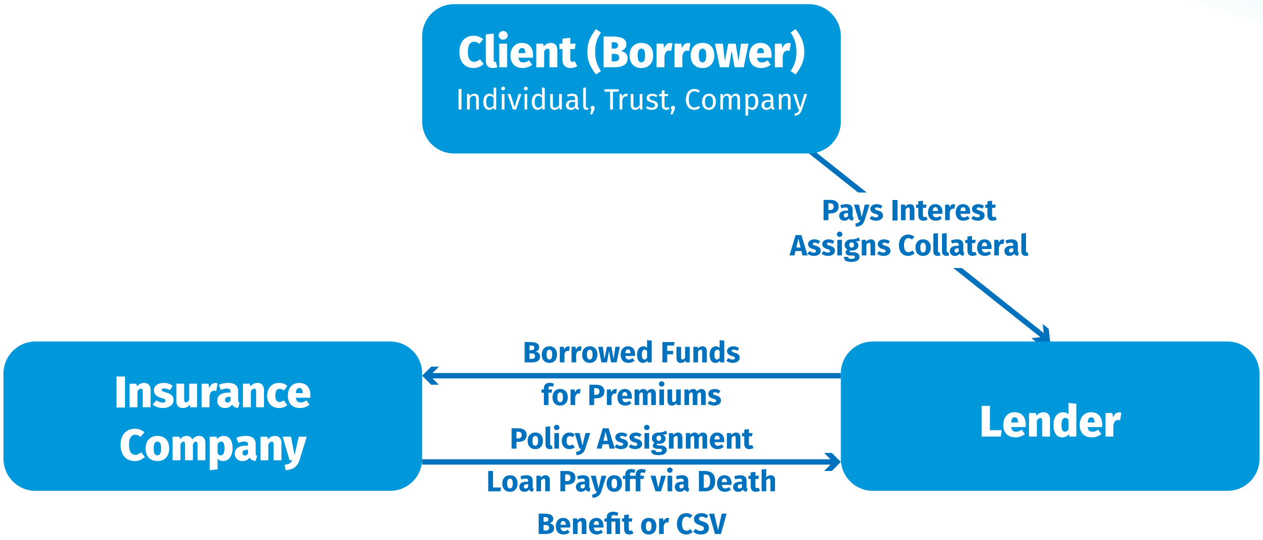
IRRS of 14 to 16% after tax at life expectancy are possible

How are these after tax IRRS achievable over a 30 to 50 year timeframe? And with no market risk?

The answer is by pairing an over funded IUL policy with **Premium Financing**. Instead of the client paying their premiums out of pocket they are borrowing the money from a bank to pay their premiums for them. The client just pays interest. High net worth client who understand arbitrage are ideal candidates.

Not only is this a great strategy for your clients but for the advisor as well. The advisor delivers an attractive strategy to their clients all while keeping the AUM untouched.

The process with the bank looks like this:



Now let's look at an example of a 50 year old male using this strategy.

Mic approximately 3" depth by 3" wide

The traditional way would be to pay $50,000 for 10 years into an IUL policy and take income from 65 to 90. Compare that to using the same $50,000 for 10 years to instead pay interest.

	Traditional	Financed Strategy
Annual Payment	**$50,000**	**$50,000**
Years	**10**	**10**
Annual Projected Tax Free Income	**$97,789**	**$268,687**
Cumulative Projected Income	**$2,444,725**	**$6,717,175**
Projected After Tax IRR at Life Expectancy	**8.07%**	**14.57%**
Increase in Income		**175%**

* The policy performance is not guaranteed and may perform differently than illustrated. Premium financing has some additional risks not found when a client purchases a policy without financing. These include collateral, interest rate and other risks. Clients should always consult their qualified tax and legal advisor before purchasing a financed policy.

If you are interested in learning how this strategy can work for your client, please give us a call.

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