

Premium Finance

No organization "simplifies the sophisticated" like **National Brokerage**. Given our diverse expertise and background in the premium financed life insurance market, along with our staff's decade-long existence in the execution of these transactions, there is no other "team" that partners with distribution and advisors in the industry today that delivers the "value" necessary to bring these solutions to fruition. Let us partner with you and your clients to successfully address their estate and business planning needs using these sophisticated strategies.

What is Premium Finance

Quite simply, premium finance is a unique opportunity for wealthy individuals to utilize/leverage their net worth in order to obtain life insurance while minimally impacting their current cash flow.

What Premium Financing is Not

- Free insurance
- A Simple Transaction
- Without some risk
- An option suited for every client

Structure

A properly structured premium finance arrange can take many shapes, but generally involves a client setting up an Irrevocable Life Insurance Trust (ILIT), which in turn becomes the owner of the policy and borrower of the premiums. The insurance cash surrender value (or secondary market value in hybrid programs) acts as the primary means of collateral for the loan. In most cases, the grantor provides collateral for any shortfall between the outstanding loan balance and the policy value.

Exit Strategies/Policy Maintenance

While premium finance allows clients to obtain insurance with minimal out of pocket costs initially, there may be maintenance costs in later years to mitigate any adverse arbitrage. This can include paying loan interest, paying policy premiums out of pocket and/or posting additional collateral.

While many times individuals choose to exit the premium finance transactions at death, there are other options including GRAT's (Grantor Retained Annuity Trusts), policy withdrawals and gifting that can pay off the premium finance loan earlier.

Benefits of Premium Finance

Premium finance provides clients the ability to purchase needed coverage while minimally impacting current cash flow. In many instances it also allows the client to purchase more insurance than they would otherwise be able to by using annual gift exclusions (\$13,000 per beneficiary).

Most importantly, premium finance provides clients with the potential for arbitrage. In many instances clients are unwilling to part with assets to pay premiums, as they feel their return on their investment will be greater than that of the death benefit provided. Premium financing allows the clients to borrow premiums at a fair rate while allowing their current assets to stay where they are currently invested (generally earning a greater return than the interest being charged).

Word of Caution

As stated above, not every client is suited for premium finance. It generally requires an individual that understands leverage and is comfortable with the risks involved. It also requires an individual that has a true insurance need. Premium Finance is a way to purchase large amounts of insurance, not a reason to purchase them.

Finally, it is important to note there have been a lot of unethical and potentially illegal transactions being promoted in recent months. National Brokerage only works with carrier "accepted" programs and works in a fully transparent environment.

Please note that National Brokerage does not provide legal or tax advice. Individuals are urged to review all transactions with their own independent legal and tax counsel.

Call or click to get started today!

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