

R/P America Life Services

Premium Financing Summary

- Life insurance premium finance structures are powerful transactions which permit high net worth individuals to leverage their existing assets rather than pay out-of-pocket to purchase of large amounts of life insurance at very competitive rates.
- The capital that is being financed is fully nonrecourse to the client.
- The client pays no premiums or interest.
- Premium finance transactions require the use of life insurance policies that have a cash value component. For this reason, premium financing of life insurance relies primarily on the use of Index Universal Life (IUL) and Whole Life policies.
- The lender takes an assignment on the death benefit equal to the loan plus interest.
- An irrevocable life insurance trust (ILIT) is the borrowing entity. The only asset of the trust is the life insurance policy.
- Collateral accepted is flexible including control agreements against the client's brokerage account, letters of credit, cash, cash value in existing life insurance policies, and other liquid assets.
- The balance of the death benefit is paid tax-free to ILIT providing cash to pay estate tax and liquidity to beneficiaries thereby enhancing family legacy through further wealth creation.
- Premium financing allows for potential benefits during the insured's lifetime through accumulation of cash value providing supplemental retirement income.
- Cash Value + Death Benefit - Outstanding Loan Balance = Payout to ILIT (Tax-Free)
- Contractually, collateral can be called in one of three ways:
 - The lender that originates the loan goes bankrupt.
***The lenders are major global institutional money managers and banks that have been providing this type of financing for decades.**
 - The insurance company that issued the policy goes bankrupt.
***The life insurance companies are A+ rated or higher by Moody's and Standard and Poor's and have been in existence for over 125-years with a proven track record of performance in all types of financial markets.**
 - The client themselves go bankrupt.
***Clients who participate in premium financing are high net worth individuals approved by both the life insurance carrier and lender. They are underwritten to make sure they have plenty of assets to cover the projected collateral.**
- Offers attractive after-tax death benefit vs. initial collateral.
 - Lender provides 10x the amount of funding into client's asset.
 - Client only needs to pledge 5-10% of short-term collateral.
 - Collateral expected to remain property of, and be returned to, the insured.