

Premium Financed Life Insurance- Most Commonly Asked Questions

Q. What are some reasons I would want to have my premiums financed?

A. It will allow you to obtain a significant amount of life insurance with no cost. You will be able to hold on to your investments and not have to liquidate them to pay the premiums. It can help you avoid expensive estate tax and pass on more money to your family. “Premium Financed Life Insurance is simply an alternative for funding a life insurance policy; an alternative that can provide the insured with the insurance that they need without the upfront costs and significant yearly premiums.”

Q. Who benefits from Life Insurance Premium Financing?

A. Life insurance premium financing can help a number of different groups and individuals, including but not limited to:

Those with a higher net worth, life insurance premium financing can allow them to get the coverage that they need without tying up their investments or interrupting their cash flow.

An insured who cannot afford premiums but do not wish to sacrifice comprehensive coverage. For those individuals who wish to provide their families with the most complete insurance coverage available to them - but do not have the financial means to pay the hefty premiums - life insurance premium financing allows them to "trade up" their insurance coverage.

Q. Who offers Life Insurance Premium Financing

A. Life insurance premium financing can be purchased through banks, premium financing companies that focus solely on this type of lending, and life insurance companies themselves.

Lenders that provide life insurance premium financing are reimbursed upon the payout of the life insurance policy

Q. What is the name of the bank that finances the loans?

A. Several different banks and financial lending institutions have funds readily available for Premium Financed Life Insurance. Many are publicly traded, state chartered banks and members of the FDIC.

Q. Why doesn't everyone buy their policy with financing if it's so good?

A. Not everyone can qualify for the financing program due to age, health and financial underwriting guidelines. However, premium financing is increasingly being recognized by all professional planners as a key tool in the estate planning arsenal.

Q. Why does the lender offer me such attractive terms while taking all the risk?

A. The lender understands that the policy itself is great collateral to the loan and is issued by a highly rated insurance carrier.

Q. Why hasn't my accountant or attorney ever heard of this program?

A. The notion of using insurance for estate planning liquidity is used as the cornerstone of most estate plans today. The idea of premium financing was a natural outgrowth that served the needs of wealthy, but illiquid clients, who also wished to accomplish estate planning goals.

Q. When I die, can the lender profit on my death?

A. No, the lender is only entitled to receive its interest in the policy which is equal to the premiums loaned plus accrued interest. Any excess over this amount is given directly to your beneficiaries.

Q. How old do you have to be to qualify for the program?

A. With the exceptions of rare cases most applicants are at least 69 or older.

Q. In what state of health must the applicant be to get accepted to the program?

A. The applicant must be in general good health to qualify. There are always areas of flexibility, contact us for your specific situation.

Q. How much life insurance can be taken out through the program?

A. We generally finance the premiums on policies ranging from \$1,000,000 to \$30,000,000.

Q. What are the loan terms for the program?

A. Loan terms fluctuate depending on the situation and the insurance carrier providing the life insurance policy. You will be contacted by a knowledgeable licensed representative who will assess your exact case.

Q. What is the average length of the enrollment process?

A. Generally you should expect the underwriting process to take up to 12 weeks.

Q. How will the program help me with estate planning?

A. There will be no estate tax on the death benefits.

Q. Does the bank receive a share of the death benefits from the life insurance policy?

A. No, the bank does not participate in any benefits from the policy beyond repayment of the total loan due.

Q. What insurance carriers do you work with?

A. Nearly all major insurance companies allow premium financing in some form. We work with each carrier to create a unique set of terms which is both advantageous to the insured and acceptable to the carrier.

Q. What are the steps to complete the program?

A.

- ✓ Applicant completes and informal inquiry
- ✓ Medical records obtained to determine eligibility
- ✓ Present the illustration of proposed policy
- ✓ Your selection of beneficiaries
- ✓ Underwriter/Bank approval
- ✓ Delivery of policy
- ✓ Enjoy your non- recourse, no cost insurance plan

Q. Can a non-US citizen participate in the program?

A. Yes, but the individual must have at least \$1 million held in the United States.

Q. Can Premium Financed Life Insurance benefit a charity?

A. Yes. Premium Financed Life Insurance is a terrific way to leave a legacy, with no costs for the insured, to their favorite church or charity.

Q. What is the downside?

A. If the total amount of life insurance issued equals the applicant's insurable net worth, the applicant and others who are able to purchase life insurance on the applicant may be unable to obtain additional life insurance coverage on the applicant. If the applicant's insurable net worth increases, additional life insurance may be available.

Q. Who are the beneficiaries of the insurance policy?

A. The insured can name anyone or any entity as the beneficiary of his or her policy.

Q. Can the insured change his/her beneficiary?

A. Yes, the insured can change, pick and choose anyone or any entity as his/her beneficiary anytime during the term of the program.

Q. The applicant already has life insurance. Why does he or she need this program?

A. This program gives the applicant the possibility to derive financial benefits for the applicant, the applicant's family or the applicant's favorite charity, without any effect on the applicant's existing life insurance and with no expense.

Q. Why should an applicant evaluate this program now?

A. If an applicant qualifies today, we can immediately begin work to confirm that the applicant has the insurability that will allow us to lock in a policy at no cost to the applicant. No one can predict whether the applicant will still have that insurability.