



PREMIUM

Financing

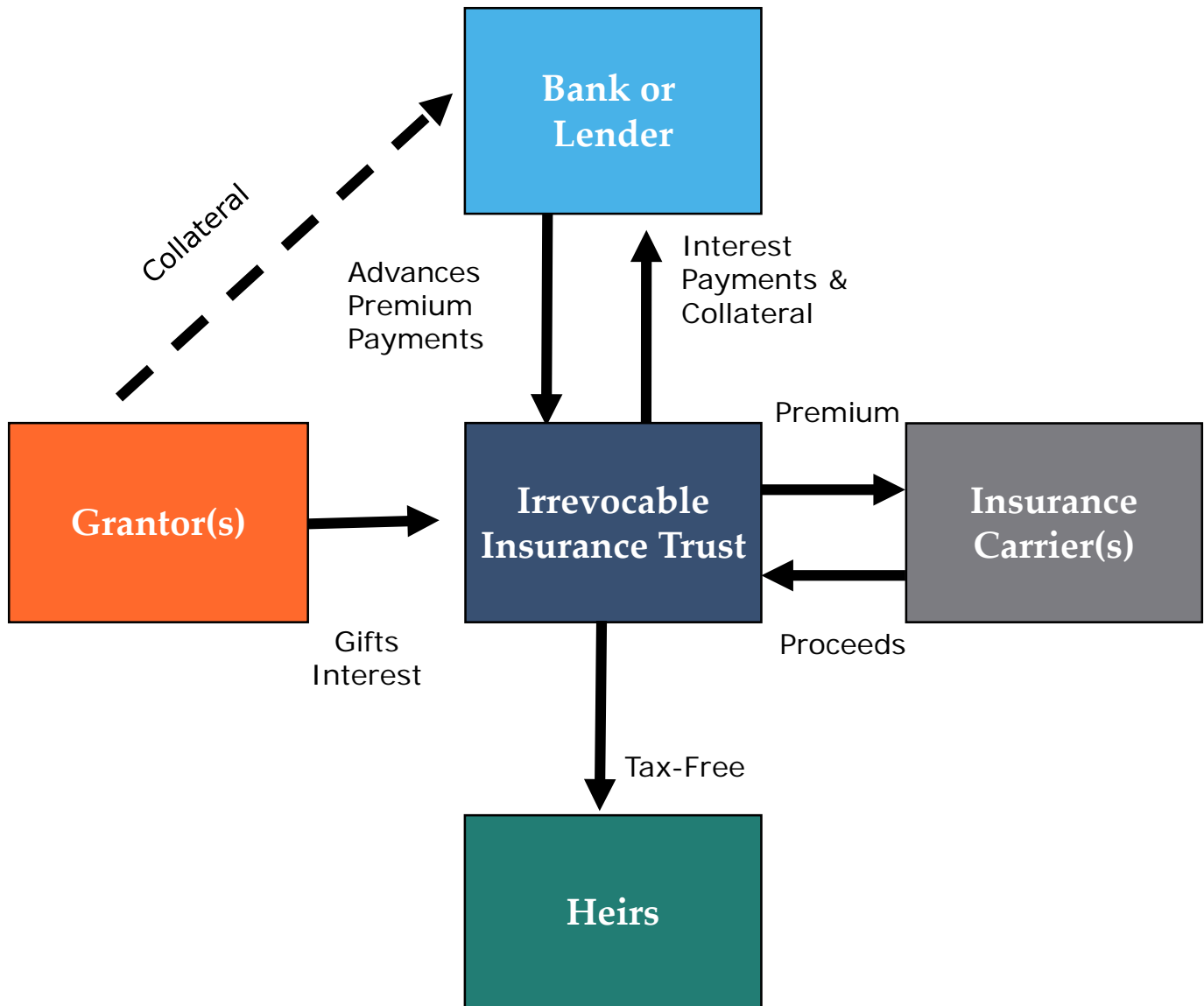
Premium Financing is a leveraging technique primarily used by high net worth individuals who have a need for large amounts of life insurance, but would otherwise desire to keep assets invested in their business or portfolio. Since loan interest rates are currently very low for credit worthy borrowers, this technique may produce substantial internal rates of return.

How it Works?

- A trust applies for the life insurance as owner and beneficiary of the policy. The lender loans that annual premium to the trust.
- The life insurance policy is pledged as collateral for the loan. Additionally, the grantor pledges other collateral to cover the full amount of the loan as necessary.
- The grantor remains only as a contingent obligor on the note and therefore does not possess any incidents of ownership or ownership rights to the life insurance.
- The grantor then gifts the annual interest cost to the trust each year and the trust in turn pays the loan interest to the lender.
- At younger ages, the policy may be able to accumulate enough excess cash values to pay off the loan principal during the insured's lifetime.
- At older ages, a portion of the death proceeds will be used to repay the lender with the remaining proceeds passing to the heirs.
- Since the loan continues to accumulate, the life insurance must be specially designed to accommodate this growing debt so that the desired amount of life insurance protection remains for the heirs after the loan principal is repaid.



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EXAMPLE

Premium-Financed Insurance Strategy Illustration

Initial Face Amount of Insurance **\$10,000,000**
 Annual Premium (at inception) **\$332,000**
 Indexed Universal Life Assumed Rate of Return **6.86%**
 Years to Pay Premiums **4**
 Current Age & Gender (Preferred Best Class) **38 Female**
 Loan Interest Rate (interest payments are end of year) **2.60%**

Yr	EOY Age	Annual Interest Payment	Annual Premium Borrowed	Loan Balance	Cash Surrender Value	Secondary Collateral Required	Gross Death Benefit	Net Death Benefit	Product IRR @Death	Financing IRR @Death
1	39	8,632	332,000	332,000	282,908	49,092	10,332,000	10,000,000	3012.0%	115748.0%
2	40	17,264	332,000	664,000	571,494	92,506	10,664,000	10,000,000	418.95%	3205.11%
3	41	25,896	332,000	996,000	870,770	125,230	10,996,000	10,000,000	181.75%	878.73%
4	42	34,528	332,000	1,328,000	1,184,523	143,477	11,328,000	10,000,000	108.00%	425.73%
5	43	34,528	0	1,328,000	1,184,806	143,194	11,328,000	10,000,000	74.88%	260.85%
6	44	34,528	0	1,328,000	1,276,658	51,342	11,328,000	10,000,000	56.69%	180.86%
7	45	34,528	0	1,328,000	1,372,635	0	11,328,000	10,000,000	45.37%	135.19%
8	46	34,528	0	1,328,000	1,472,820	0	11,328,000	10,000,000	37.72%	106.26%
9	47	34,528	0	1,328,000	1,577,415	0	11,328,000	10,000,000	32.23%	86.57%
10	48	34,528	0	1,328,000	1,686,891	0	11,328,000	10,000,000	28.11%	72.43%
11	49	31,075	(132,800)	1,195,200	1,693,531	0	11,195,200	10,000,000	24.95%	61.88%
12	50	27,622	(132,800)	1,062,400	1,673,203	0	11,062,400	10,000,000	22.45%	53.75%
13	51	24,170	(132,800)	929,600	1,650,846	0	10,929,600	10,000,000	20.44%	47.32%
14	52	20,717	(132,800)	796,800	1,626,263	0	10,796,800	10,000,000	18.78%	42.14%
15	53	17,264	(132,800)	664,000	1,599,230	0	10,664,000	10,000,000	17.40%	37.89%
16	54	13,811	(132,800)	531,200	1,569,497	0	10,531,200	10,000,000	16.23%	34.35%
17	55	10,358	(132,800)	398,400	1,536,747	0	10,398,400	10,000,000	15.23%	31.37%
18	56	6,906	(132,800)	265,600	1,500,669	0	10,265,600	10,000,000	14.37%	28.82%
19	57	3,453	(132,800)	132,800	1,460,967	0	10,132,800	10,000,000	13.61%	26.63%
20	58	0	(132,800)	0	1,417,259	0	10,000,000	10,000,000	12.95%	24.74%
21	59	0	0	0	1,502,320	0	10,000,000	10,000,000	12.36%	23.08%
22	60	0	0	0	1,591,821	0	10,000,000	10,000,000	11.82%	21.61%
23	61	0	0	0	1,685,894	0	10,000,000	10,000,000	11.34%	20.31%
24	62	0	0	0	1,784,670	0	10,000,000	10,000,000	10.90%	19.15%
25	63	0	0	0	1,888,245	0	10,000,000	10,000,000	10.49%	18.11%
26	64	0	0	0	1,996,794	0	10,000,000	10,000,000	10.12%	17.17%
27	65	0	0	0	2,110,377	0	10,000,000	10,000,000	9.78%	16.32%
28	66	0	0	0	2,229,057	0	10,000,000	10,000,000	9.46%	15.55%
29	67	0	0	0	2,352,849	0	10,000,000	10,000,000	9.17%	14.84%
30	68	0	0	0	2,481,739	0	10,000,000	10,000,000	8.89%	14.19%
31	69	0	0	0	2,615,320	0	10,000,000	10,000,000	8.64%	13.60%
32	70	0	0	0	2,755,268	0	10,000,000	10,000,000	8.40%	13.05%
33	71	0	0	0	2,901,853	0	10,000,000	10,000,000	8.17%	12.54%
34	72	0	0	0	3,055,302	0	10,000,000	10,000,000	7.96%	12.07%
35	73	0	0	0	3,215,843	0	10,000,000	10,000,000	7.76%	11.63%
36	74	0	0	0	3,383,511	0	10,000,000	10,000,000	7.57%	11.23%
37	75	0	0	0	3,558,095	0	10,000,000	10,000,000	7.39%	10.84%
38	76	0	0	0	3,739,711	0	10,000,000	10,000,000	7.22%	10.49%
39	77	0	0	0	3,928,490	0	10,000,000	10,000,000	7.06%	10.15%
40	78	0	0	0	4,124,539	0	10,000,000	10,000,000	6.91%	9.84%
41	79	0	0	0	4,326,329	0	10,000,000	10,000,000	6.76%	9.54%
42	80	0	0	0	4,535,040	0	10,000,000	10,000,000	6.62%	9.27%
43	81	0	0	0	4,750,873	0	10,000,000	10,000,000	6.49%	9.00%
44	82	0	0	0	4,973,901	0	10,000,000	10,000,000	6.36%	8.75%
45	83	0	0	0	5,204,260	0	10,000,000	10,000,000	6.24%	8.52%
46	84	0	0	0	5,441,285	0	10,000,000	10,000,000	6.13%	8.29%
47	85	0	0	0	5,685,251	0	10,000,000	10,000,000	6.02%	8.08%
48	86	0	0	0	5,936,504	0	10,000,000	10,000,000	5.91%	7.88%
49	87	0	0	0	6,195,671	0	10,000,000	10,000,000	5.81%	7.69%
50	88	0	0	0	6,461,562	0	10,000,000	10,000,000	5.71%	7.51%
51	89	0	0	0	6,736,882	0	10,000,000	10,000,000	5.61%	7.33%
52	90	0	0	0	7,023,996	0	10,000,000	10,000,000	5.52%	7.16%
53	91	0	0	0	7,327,378	0	10,000,000	10,000,000	5.43%	7.00%
54	92	0	0	0	7,652,406	0	10,000,000	10,000,000	5.35%	6.85%
55	93	0	0	0	8,006,197	0	10,000,000	10,000,000	5.27%	6.71%
56	94	0	0	0	8,401,171	0	10,000,000	10,000,000	5.19%	6.57%
57	95	0	0	0	8,855,352	0	10,000,000	10,000,000	5.11%	6.43%
58	96	0	0	0	9,396,815	0	10,000,000	10,000,000	5.04%	6.30%
59	97	0	0	0	10,057,897	0	10,057,897	10,057,897	4.98%	6.19%
60	98	0	0	0	10,764,949	0	10,764,949	10,764,949	5.00%	6.21%
61	99	0	0	0	11,521,146	0	11,521,146	11,521,146	5.10%	6.22%
62	100	0	0	0	12,329,883	0	12,329,883	12,329,883	5.20%	6.23%
63	101	0	0	0	13,194,790	0	13,194,790	13,194,790	5.30%	6.25%
64	102	0	0	0	14,119,745	0	14,119,745	14,119,745	5.40%	6.26%
65	103	0	0	0	15,108,894	0	15,108,894	15,108,894	5.50%	6.27%
66	104	0	0	0	16,166,668	0	16,166,668	16,166,668	5.60%	6.29%
67	105	0	0	0	17,297,804	0	17,297,804	17,297,804	5.70%	6.30%
68	106	0	0	0	18,507,363	0	18,507,363	18,507,363	5.80%	6.31%
69	107	0	0	0	19,800,756	0	19,800,756	19,800,756	5.90%	6.43%
70	108	0	0	0	21,183,766	0	21,183,766	21,183,766	6.00%	6.54%
71	109	0	0	0	22,662,575	0	22,662,575	22,662,575	6.11%	6.66%
72	110	0	0	0	24,243,786	0	24,243,786	24,243,786	6.21%	6.78%

Tax-Free withdrawals to repay loan

The 2.60% loan rate is for illustrative purposes only as there is no guarantee that this loan rate will be the actual loan rate for the premium financing program. Loan rates are not guaranteed and may be higher or lower at the discretion of the lender. Policy illustrated is Nationwide Marathon Index Accumulator UL. Not valid without complete life insurance illustration stating important information about guaranteed and non-guaranteed values.



Disclosures

The example provided is not representative of all clients' experiences and are not indicative of any future performance or results. Preliminary Analysis will indicate an initial sampling of available carriers, products and design alternatives. The optimum carrier, product and design option will be determined once coverage goals and objectives are known and tentative underwriting offers are received. Actual pricing is subject to final underwriting approval and product availability at the time of acquisition.

Illustrated pricing assumes indicated gender, smoking status, underwriting classes, issues ages, state of issue, interest rate assumptions, and in-force durations as specified in the presentation. To continue coverage beyond stated durations may require substantially higher premiums. Illustrated products and options shown based on product availability and pricing as of this date. Any product guarantees, including the death benefit, are subject to the claims paying ability of the issuing insurance company. This presentation is not complete without the accompanying illustrations. This information has been taken from sources, which we believe to be reliable, but there is no guarantee as to its accuracy.

Heirmark does not represent any lender involved with any Premium Financing Arrangement, and we are not responsible for any decision made by any lender. The lender is solely responsible for setting the loan terms including, but not limited to, the loan interest rate, term, collateral requirements and any and all loan requirements and restrictions. The lender may or may not renew the loan. Actual loan interest rates will differ, and may be higher or lower than conceptually illustrated. It is the sole responsibility of the borrower to satisfy the lender's terms and conditions.

The lender will likely require a security interest in the Policy, such as an assignment of the Policy as collateral for the benefit of the lender. Any policy assignment is strictly between the policy owner and lender and does not involve Heirmark. If the Policy is assigned, the lender will gain certain rights over the Policy's benefits.

Policy illustrations reflect guaranteed and non-guaranteed values, such as interest rates and policy charges. Non-guaranteed values are hypothetical and subject to change. Actual results will likely differ from illustrated non-guaranteed values, which may impact a Premium Financing Arrangement.

Heirmark is not responsible for the performance of the Policy or terms of the loan. You agree not to hold Heirmark liable for any changes in the Policy or loan arrangement that may negatively impact this Premium Financing Arrangement.

We recommend that you consult with your accounting, legal and tax advisors in connection with any Premium Financing Arrangement. We do not provide accounting, legal or tax advice.

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