



FINDING THE RIGHT CLIENTS FOR PREMIUM FINANCING

Benefits of Premium Financing

Premium financing allows clients to acquire life insurance protection without having to take away from their personal or business working capital. Clients will have lower out of pocket costs instead of paying for purchasing a policy outright. Premium financing minimizes gift taxation if the policy is owned by an Irrevocable Life Insurance Trust (ILIT). Lastly, it allows clients to borrow at attractive loan interest rates and keep the clients' assets in investments, potentially earning a better return than the borrowing rate.

The Perfect Candidate for Premium Financing

- The client's estate is made up of illiquid assets that do not produce enough income to pay the premium.
- The cost of borrowing the money is less than the return generated by assets held in the estate.
- The client may need help to reduce his or her gift tax exposure. The loans made to the ILIT are not subject to gift tax.
- The client expects a future liquidity event to repay the loan, but he or she needs short term liquidity to pay the premiums.
- The client may not want to liquidate assets with low-basis asset to buy life insurance.
- The client has an exit strategy.
- The client will qualify for a standard or better underwriting rate.
- The client can afford to pay life insurance premiums.
- The client understands and appreciates leverage. The client cannot be risk adverse.

Individuals Not Suitable for Premium Financing

- Clients who are looking for low cost or free life insurance.
- Clients who cannot afford to pay the life insurance premiums.
- Clients under the age of 70 using death as an exit strategy as their only means to repay the lender.
- Clients who are looking to sell their policy to an investor to make a profit on the sale.

Qualifiers to be Eligible for Premium Financing

- Net worth of \$5 million or more. Some lenders and life insurance carriers may require a net worth of \$10 million as their minimum.
- Adequate collateral to post for the loan that will meet the lender collateral requirements.
- Minimum annual premium requirement of \$100,000 or more.
- Minimum annual income of \$200,000 or more.
- Need for life insurance protection for personal, estate, or business protection.
- Qualify for standard or better underwriting rates.

For more information on Premium Financing, please contact your Frontier Advanced Sales Specialist or your Frontier Sales Vice President.

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