



WINTRUST[®]

LIFE FINANCE

wintrustlife.com

IS PREMIUM FINANCE RIGHT FOR YOUR CLIENT?

Financing life insurance is a sophisticated planning strategy that gives a high net worth client the ability to obtain the life insurance they need with minimum impact on current investments. While this strategy is valuable for some, it's important to ask yourself: "Is premium financing right for my client?"

TOP REASONS FOR FINANCING

- 1. LEVERAGE** | Most self-made millionaires are comfortable leveraging assets to create wealth. Premium finance allows clients to use current assets and the policy's cash surrender value to obtain the coverage they need.
- 2. TAX SAVINGS** | By paying interest instead of premiums, and structuring ownership of the life insurance properly, clients can minimize gift and estate taxes by using annual gifting exclusions rather than tapping into lifetime exemptions prematurely.
- 3. RETAINED CAPITAL** | Many clients earn high returns on investments. Premium finance allows clients to keep their money working for them in high-returning asset classes instead of disrupting the capital to pay life insurance premiums.
- 4. INCREASED IRR** | Utilizing premium finance reduces client outlay in the early years thereby increasing long-term IRR.
- 5. ESTATE PLANNING** | Client succession planning can be expensive, but financing life insurance premiums can be a more cost-effective process.

- 6. BUSINESS SUCCESSION PLANNING** | Buy/sell or key person policies are essential to a well-established business but can remove needed working capital. Financing the policy premiums will leverage the protection to ensure a smooth transition if or when it's needed.
- 7. ESTATE EQUALIZATION** | When a sole proprietor of a company wants his or her life's work to remain with the family, life insurance is an effective way to ensure all the children obtain their portion of the inheritance. Financing the life insurance premiums is a cost effective way to obtain the coverage without interfering with the company's revenue or cash flow.
- 8. ASSET ACCUMULATION** | Today's indexed universal life and whole life policies can be structured to accumulate a potential amount of cash surrender value (CSV), which can be used later in life for a variety of purposes. Financing the premiums can allow the client to protect current investments and obtain the needed death benefit. Once the loan is paid off, the client will have access to CSV for immediate and future use.

Once a need for financing has been established, it is typically in the client's best interest to create a method for exiting out of the loan. Since Wintrust Life does not have a prepayment penalty for most of our loans, the client can pay off all or a portion of the loan at any time.

Wintrust Life Finance is a division of Lake Forest Bank & Trust Company, N.A., a Wintrust Community Bank.



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PREMIUM FINANCE WORKSHEET

MY CLIENT

My client's total net worth is \$ _____

My client's initial loan is \$ _____

My client needs life insurance for:

- Estate planning Estate equalization Key person Support of loved ones
 Other: _____

Paying the premium is not an option for my client because of:

- Disruption of investments Purchasing another property
 Gifting limitations Term conversion
 Other: _____

My client uses leveraging: _____

My client can use this as collateral:

- CDs Money markets CSV of other policies Marketable securities
 Letters of credit from an approved bank
 Other: _____

My client will pay interest _____

(at the beginning of the year, at the end of the year, or roll it into loan)

My client is expecting to pay off the loan around the _____ year,
with capital obtained from _____.

FACTORS FOR FINANCING

- Minimum net worth of \$5 million.
- Initial loan needs to be at least \$100,000.
- Client must have a need for life insurance.
- Client should have better use for capital.
- Client should have knowledge and experience with leveraging and arbitrage.
- Loan needs to be secured with CSV of policy and outside collateral to cover any exposure.
- How will the client pay annual interest?
- How will the client pay off the loan?

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POTENTIAL EXIT STRATEGIES

We highly recommend the client consult their tax advisor, estate planning attorney, and financial advisor to determine the most efficient and appropriate method of paying the loan back, but below are a few strategies that Wintrust Life has seen used in the past.

1. Using the potential growth within the policy to pay down or pay off the loan.
2. Establishing a grantor-retained annuity trust to utilize in the future.
3. Using capital obtained in the sale of an asset.
4. Using the future capital not initially used to purchase life insurance.