

A CASE STUDY FROM THE WINTRUST LIFE FILES: *The Misconceptions of Life Insurance Premium Financing*

Life insurance premium financing is a valuable tool for individuals who need life insurance but don't want to tie up capital. As an agent, a better understanding of life insurance premium financing can open the door to new clients who may benefit from the economic value of financing. We've dug deep into the "Wintrust Life Files" to find some of our most successful cases, or in this case common misconceptions, that may provide insight into the true benefits of life insurance premium financing.

LIFE INSURANCE PREMIUM FINANCING IS A GIMMICK

FALSE. Life insurance premium financing is a method of paying for life insurance premiums; it is not a gimmick. The use of leverage to seek a positive arbitrage is a practice that has been used by successful investors for centuries, and will continue to be used. Smart clients and insurance professionals are always looking for methods to reduce their gift taxes, accumulate assets, and maintain a positive cash flow while protecting what is important to them. In essence, we finance our homes, our businesses, and practically everything else, so why shouldn't we finance our life insurance?

PREMIUM FINANCE ONLY WORKS WHEN INTEREST RATES ARE LOW AND THE POLICY HAS STRONG RETURNS

FALSE. Premium finance continues to work as a part of the client's succession, estate, and asset accumulation plan regardless of the interest rate. While higher interest rates may necessitate more out-of-pocket expenses pertaining to the premium finance loan, those expenses are still a small portion of the premium that is being funded and the insurance coverage that has been acquired.

Over the past several years, there has been a significant increase in the number of indexed universal life Insurance (IUL) policies that have been purchased and financed. Many producers assume that IUL products work well with financing only when the loan interest rate is low and the IUL policy return is high. Often, the financing is being sold as an internal arbitrage between the lower borrowing rate and the higher policy crediting rate, but the potential for down years is overlooked.

We suggest establishing a need for the coverage first, and presenting financing as an option to paying the premiums. The true arbitrage is not with the interest rate vs. the policy return, but rather the cost of borrowing vs. the growth of the client's capital that would have been used toward premium payments. We call this "retained capital" and it can typically be used to augment growth in the client's business and/or other outside investments.

If a client is considering simply writing a check for an insurance premium, a good question to ask might be "What type of investment is the client liquidating, or diverting funds from, to pay the premium and what is the lost opportunity cost?"

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For more information about this “Wintrust Life Files” case please visit www.wintrustlife.com. Or, for more information about what Wintrust Life can do for you, contact:

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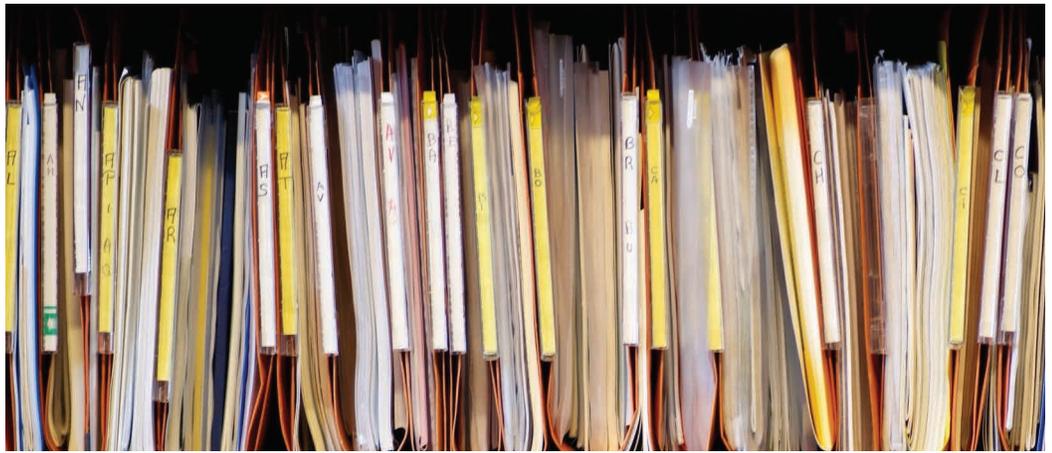
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LIFE INSURANCE PREMIUM FINANCE ONLY MAKES SENSE FOR VERY HIGH TO ULTRA HIGH NET WORTH CLIENTS

FALSE. Life insurance premium financing can be a viable strategy for mid-market high net worth clients who demonstrate a need for life insurance and an ability to service debt associated with premium financing. This is typically shown through complementary liquidity and income. We’ve effectively funded insurance plans for productive borrowers young and old and can attest that premium financing can be a practical planning tool for successful clients of all ages and walks of life.

FINANCING WITH A LOCAL LENDER WILL BE CHEAPER AND BETTER FOR MY CLIENT

FALSE. While the local lender will be happy to assist a high net worth individual with their banking needs, we tend to refinance deals monthly from these lenders. The local lenders are typically good at making loans for cars or mortgages, but life insurance premium financing loans are a niche product and most lenders do not understand the subtle tiers of insurance products and the many riders that can offer cash value performance. At Wintrust Life Finance, our only business is life insurance premium finance loans and our 30 employees are dedicated to closing your transaction. We have never missed a premium payment—some we started in this business over 15 years ago—and have financed more than \$4 billion in premiums. We know what works and how to get your deal done.

IT IS NOT A GOOD IDEA FOR CORPORATIONS TO USE FINANCING FOR GROUP CASES

FALSE. While COLI deals are not new, Wintrust Life Finance has seen an increase in the number of deals that are closing. Whether your COLI deal is for a small group of doctors, or a massive 1,000 employee deal, Wintrust Life Finance has the experience to get these deals funded.

WE UNDERSTAND YOUR BUSINESS. At Wintrust, we get to know the needs of the industries we serve to be true partners to the businesses we support. We were built to provide personalized financial solutions for each of our clients. As a one-stop-shop for any financial need, we’re experts at what we do and are prepared to share our knowledge to help guide your business. We’re proud to go above and beyond to support our local businesses.

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