



WINTRUST
LIFE FINANCE
wintrustlife.com

A CASE STUDY FROM THE WINTRUST LIFE FILES: *The Value of Financing Key-Person Insurance*

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 that may provide insight into the true benefits of life insurance premium financing.

THE PROBLEM

An owner of a rapidly growing company wanted to protect and ensure the continued success of his four-year-old business. In order to protect what he had worked so hard to build, the owner opted for key-person insurance for his eight most senior employees with a total annual premium of \$3.3 million for \$70 million in death benefits.

Key-person insurance compensates a company for any financial losses that arise with the death of a top employee. It can protect a company—especially a newer company—in the instance of unforeseen circumstances that leave the business without one of its most important people. The problem arises when a company has to take working capital to pay premiums. While the company has significant cash flow to pay premiums, the outlay would stifle growth. This is considered lost opportunity for the business.

THE SOLUTION

Insurance premium financing can provide relief from large premium payments for necessary life insurance for individuals and businesses alike. In this particular case, the company borrowed the \$3.3 million of premium from Wintrust Life Finance (Wintrust Life) and paid \$186,921 in interest in the first year. The business was then able to retain a majority of its capital and invest in expansion and competitive benefits for their key employees.

A CASE STUDY FROM THE WINTRUST LIFE FILES:

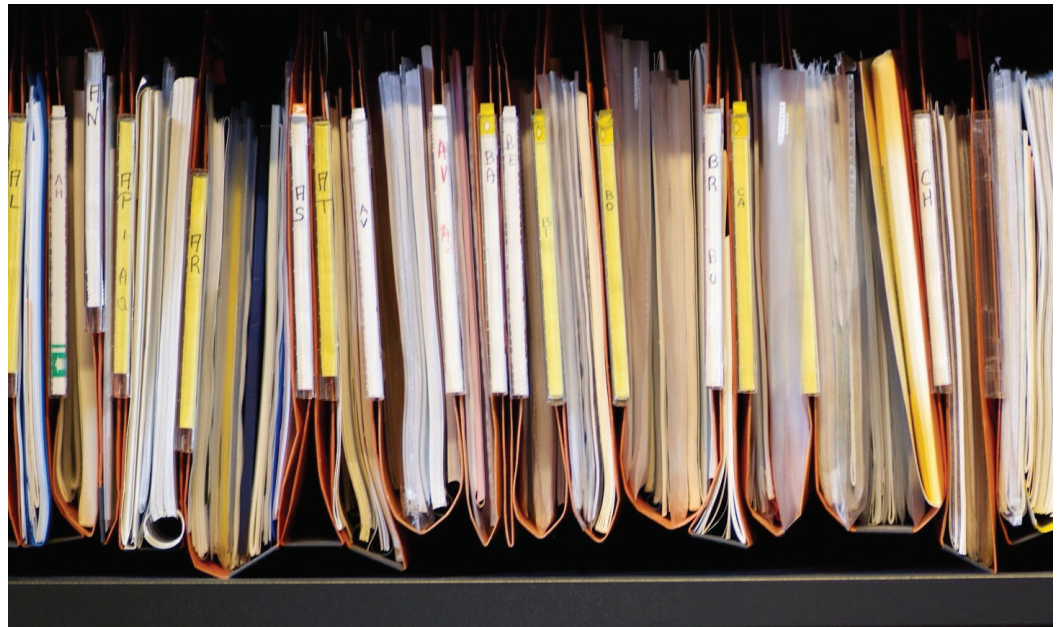
The Value of Financing Key-person Insurance

For more information about other “Wintrust Life Files” cases please visit wintrustlife.com. Or, for more information about what Wintrust Life Finance can do for you, contact:

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THE NUMBERS

LOAN INTEREST RATE: 4.75%
POLICY DEATH BENEFIT: \$70,000,000

NON-FINANCED OPTION		
Year	Premium Paid	Lost Opportunity at 6% ¹
1	\$3,333,333	\$3,533,333
2	\$3,333,333	\$7,278,666
3	\$3,333,333	\$11,023,999
4	\$3,333,333	\$14,769,332
5	\$3,333,333	\$18,514,665

LOST OPPORTUNITY COST AT 6%¹
The potential investible capital lost due to paid premiums

VS.

FINANCED OPTION		
Year	Interest Paid	Retained Capital at 6% ²
1	\$186,921	\$3,335,196
2	\$373,843	\$6,672,368
3	\$560,764	\$10,011,633
4	\$747,685	\$13,353,118
5	\$934,606	\$16,696,956

RETAINED CAPITAL AT 6%²
The growth of the capital retained by financing the premium

Premium financing allows a business to purchase life insurance, covering their key employees, with minimal outlay so they can keep investing in their company.

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