



# Life Insurance Opportunities: Post-American Taxpayer Relief Act

A Presentation For:

The Estate Planning Council of Central Pennsylvania



# Agenda

1. Policy Reviews
2. “Modernized” long-term care solution
3. Business planning post ATRA
4. Income Planning post ATRA
5. Estate Planning/Wealth Transfer



# Policy Review



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## The Importance of Periodic Life Insurance Policy Reviews

By Martin M. Shenkman, CPA, MBA, J.D. | Volume 2, Issue 2 (February 2014)

Everyone who owns an insurance policy should be certain to conduct insurance reviews. A recent study found that in 75% of cases, the person insured could have reduced their premium outlay by an average of 40%, or increased their coverage by an average of 40% for the same outlay. These

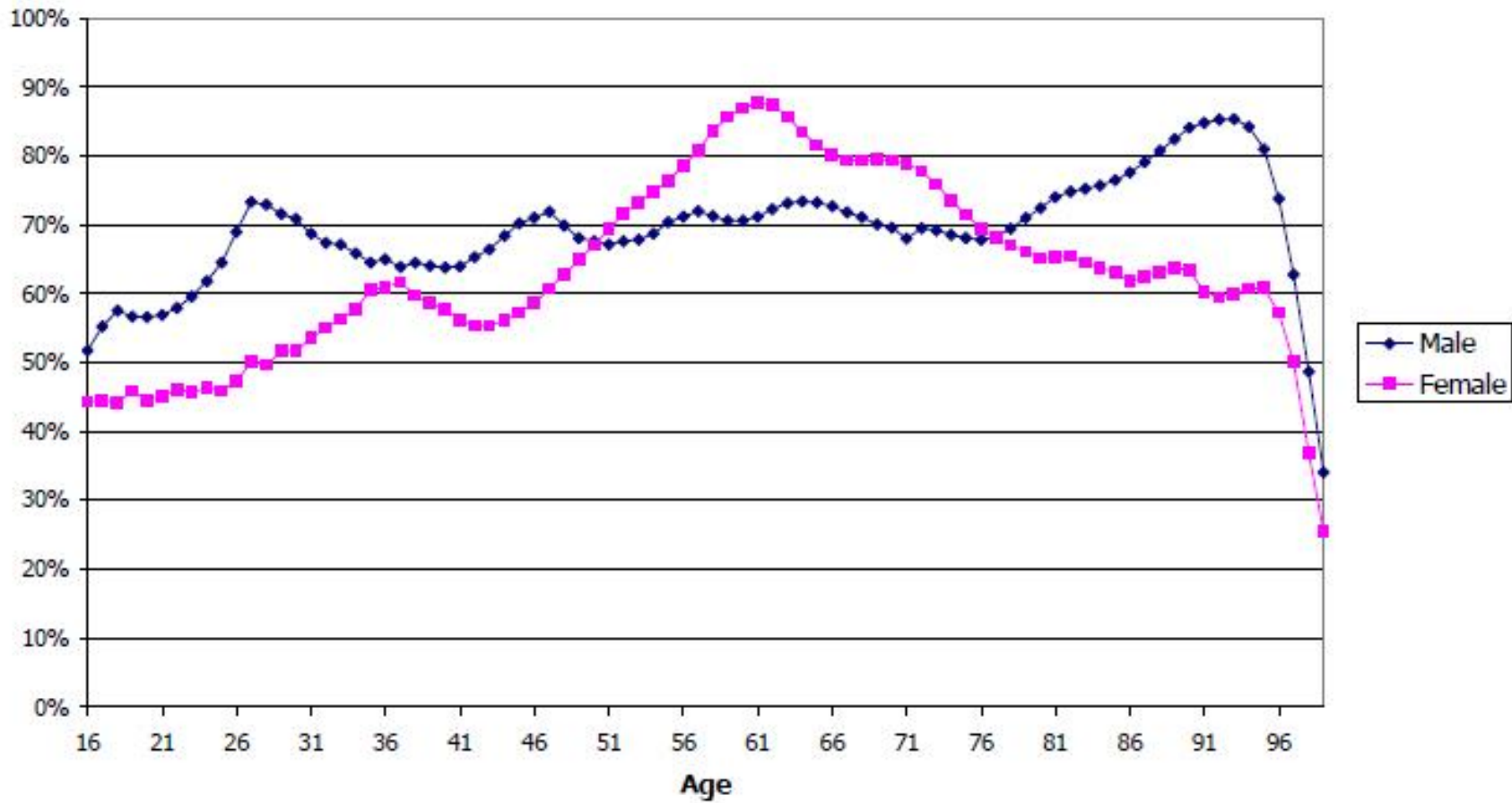




# Policy Reviews: Industry Opportunities

1. January 1, 2009 – Industry adopted a federally mandated decrease in mortality charges using CSO Table 2001
  - a) On average, cost of insurance charges have decreased by 33%
2. Recent interest rate environment leave policies in distress. Customized performance reports enlighten consumer
3. 2014 is the most advantageous year to gift assets in the history of the federal tax code
  - a) Never a better time to take care of your “stuff”
  - b) Transfer what you want, to who you want, when you want

**2001 CSO Table as a % of 1980 CSO Table  
Nonsmoker, Ultimate**





## 2013 WHOLE LIFE DIVIDEND RATE CREDITING HISTORY

This piece is intended to compare competitor's past and current declared dividend rates on whole life insurance products. This piece is intended to be used as a tool when comparing other life insurance products.

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
Connecticut Mutual [MaccMutual]	8.80	8.10	8.05	7.70	7.70	7.70	7.70	7.85	7.75	7.85	8.00	7.45	6.65	7.25	7.45	7.75	7.40	6.70	6.70	7.00	7.00	
Equitable (j) [AXA Equitable]	8.50/7.50 <sup>2</sup>	7.50/7.25 <sup>2</sup>	7.25/7.75 <sup>4</sup>	7.75/6.5 <sup>5</sup>	6.50	6.50	6.50	6.50	6.50	6.00	6.00	5.25	5.25	5.00	5.00	5.00	5.00	5.00	4.50	4.50	4.75/4.50 <sup>6</sup>	
General American (k) [MetLife]	9.15	8.60	8.60	8.20	8.20	8.20	8.00	7.75	7.75	7.50	6.60	6.65	6.30	6.05	6.05	5.75	5.75	5.50	5.50	5.50	5.25	
Guardian	9.75	9.00	8.50	8.00	8.50	8.75	8.75	8.50	8.50	8.00	7.00	6.60	6.75	6.50	6.75	7.25	7.30	7.00	6.65	6.65	6.65	
John Hancock	9.20	9.20 (f)	8.25	8.25	8.25	7.95	7.80	7.80	7.80	7.80	7.80	6.75	6.25	6.25	6.25	6.25	6.25	6.0/5.75	6.0/5.75 <sup>8</sup>	5.30/5.55 <sup>8</sup>	5.05/5.55 <sup>8</sup>	
Manufacturers ** [John Hancock]	9.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.25	8.25	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
MaccMutual (issued prior to 1998)	9.45	9.30	9.00	8.40	8.40	8.40	8.40	8.30	8.30	8.10	7.90	7.50	7.00	7.55	7.55	7.90	7.45	6.85	6.80	7.00	7.00	
MaccMutual (issued after to 1998)	n/a	n/a	n/a	8.40	8.40	8.40	8.40	8.20	8.20	8.05	7.90	7.50	7.00	7.40	7.50	7.90	7.60	7.00	6.85	7.00	7.00	7.00
Metropolitan (l) [MetLife]	8.75	8.25	8.25	8.00	7.60	7.60	7.60	7.60	7.60	7.35	7.10	7.10	6.60	6.25	6.25	6.25	6.00	5.50	5.00	5.50/5.00 <sup>7</sup>	5.25/4.75 <sup>7</sup>	
Metropolitan 2008 [MetLife]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6.25	5.75	5.25	5.25	5.25	
Minnesota Life	6.50	6.00	6.50	5.50	6.50	6.50	6.00	7.00	7.00	5.50	5.00	4.25	4.50	5.10	5.30	5.30	5.80	6.00	5.50	5.50	4.50/4.75 <sup>9</sup>	
MONY Life [AXA Equitable]	8.60	8.00	8.00	8.00	8.00	7.50	7.50	7.50	7.50	7.00	7.00	7.00	6.50	6.00	6.00	5.75	5.50	5.50	5.00	5.00	5.00	
National Life VT	9.00	8.25	8.25	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.25	6.75	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.00	5.75	
New England (m) [MetLife]	9.00	7.75	8.75	8.25	8.00	8.00	8.00	7.75	7.75	7.50	7.25	6.75	6.50	6.00	6.00	5.50	5.50	5.25	5.25	5.25	5.25	
New York Life (n)	8.05	8.5 (p)	8.25 (h)	7.90	7.90	7.90	7.90	7.90	7.90	7.32	6.79	6.79	6.79	6.79	6.79	6.79	6.14	6.11	6.11	6.11	5.80	5.90
Northwestern	9.25	8.50	8.50	8.50	8.50	8.80	8.80	8.80	8.80	8.60	8.20	7.70	7.50	7.50	7.50	7.50	6.50	6.15	6.00	5.65	5.60	
Penn Mutual	9.70	9.20	8.50	8.50	8.00	8.00	7.40	7.40	7.40	6.48	5.74	5.74	6.30	6.30	6.50	6.34	6.34	6.34	6.34	6.34	6.34	
Phoenix	9.00	9.00	8.65	8.65	8.65	8.65	7.81	7.81	7.81	7.81	7.81	7.81	7.81	6.50	6.50	6.50	6.10	6.10	5.60	5.45	5.15	
Principal Life (d) **	n/a	8.15	8.35	7.50	8.65	7.25	6.82	7.82	7.37	6.57	6.26	4.79	5.25 (q)	5.61	5.54	5.72	6.12	5.23	4.20	3.50	n/a	
Prudential **	8.50	8.50	8.00	8.00	7.90	7.90	7.90	7.90	7.90	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Ameritas Life(r)	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	7.13	6.75	6.25	6.25	5.65	5.65	5.65	5.45	5.65	5.45	5.35	



# Discussion Points:

1. When was your existing policy last reviewed?
2. What was the philosophy behind purchasing your existing policy?
3. What formula did you use to determine the amount of coverage?
  - a) [www.lifehappens.org](http://www.lifehappens.org)
4. Does your policy have a bailout feature?
5. Will your policy accelerate if you become sick?
6. Is your policy performing up to expectations?
7. When was the last time you ordered a performance report of your policy?
8. Are your beneficiaries up to date?





### Policies Inforce - Sample Male

	COMPANY	POLICY #	ISSUE DATE	POLICY TYPE	POLICY DURATION	DEATH BENEFIT	ANNUALIZED PREMIUM	MODE	CASH VALUE	BASIS	INSURED	OWNER?/ BENEFICIARY
1	Mass Mutual	-	8/1/2008	WL	Lifetime	\$1,000,000	\$18,301.32	Monthly	unknown	unknown	Mr. Client	Unknown
2	ING	-	8/21/2008	Term	24 years & 3 months (G)	\$700,000	\$2,339.28	Monthly	-	-	Mr. Client	Unknown
3	ING	-	8/21/2008	Term	14 years & 3 months (G)	\$1,000,000	\$1,892.40	Monthly	-	-	Mr. Client	Unknown
4	Northwestern	-	7/24/2000	Annual Renewable Term	Annual increases through age 75	\$600,000	\$652.20	Monthly	-	-	Mr. Client	Unknown
5	Prudential (AICPA)	-	11/1/2003	Annual Renewable Term	Annual increases through age 75	\$2,000,000	\$2,400.00	Monthly	-	-	Mr. Client	Unknown
6	Benefits in Focus - \$100,000 - Policy Info Unknown											
Job Total:						\$5,300,000	\$25,585		unknown	unknown		

\*Personal ownership is increasing the value of gross estate and possibly exposing to state and federal estate tax

### Recommended Policies - Sample Male - Minimum Premium - 2nd best preferred

	COMPANY	POLICY #	ISSUE DATE	POLICY TYPE	POLICY DURATION	DEATH BENEFIT	ANNUALIZED PREMIUM	MODE	CASH VALUE	BASIS	INSURED	OWNER?/ BENEFICIARY
1	Companion	-	-	GUL	Lifetime	\$1,000,000	\$8,646.00	Monthly	-	-	Mr. Client	TBD
2**	ING	-	8/21/2008	Term	24 years & 3 months (G)	\$700,000	\$2,339.28	Monthly	-	-	Mr. Client	TBD
3	Principal	-	-	Term	15 years (G)	\$1,000,000	\$1,538.16	Monthly	-	-	Mr. Client	TBD
4	Companion	-	-	Term	10 Year Level (G)***	\$600,000	\$752.28	Monthly	-	-	Mr. Client	TBD
5	Principal	-	-	Term	10 Year Level (G)***	\$2,000,000	\$2,162.28	Monthly	-	-	Mr. Client	TBD
6	Benefits in Focus - \$100,000 - Policy Info Unknown											
Job Total:						\$5,300,000	\$15,438		unknown	unknown		

\*\*Maintain ING Policy #2 unless preferred best class is achieved



### Policies Inforce - Sample Male

	COMPANY	POLICY #	ISSUE DATE	POLICY TYPE	POLICY DURATION	DEATH BENEFIT	ANNUALIZED PREMIUM	MODE	CASH VALUE	BASIS	INSURED	OWNER/BENEFICIARY
1	Mass Mutual	-	8/1/2008	WL	Lifetime	\$1,000,000	\$18,301.32	Monthly	unknown	unknown	Mr. Client	Unknown
2	ING	-	8/21/2008	Term	24 years & 3 months (G)	\$700,000	\$2,339.28	Monthly	-	-	Mr. Client	Unknown
3	ING	-	8/21/2008	Term	14 years & 3 months (G)	\$1,000,000	\$1,892.40	Monthly	-	-	Mr. Client	Unknown
4	Northwestern	-	7/24/2000	Annual Renewable	Annual increases	\$600,000	\$652.20	Monthly	-	-	Mr. Client	Unknown
5	Prudential (AICPA)	-	11/1/2003	Annual Renewable Term	Annual increases through age 75	\$2,000,000	\$2,400.00	Monthly	-	-	Mr. Client	Unknown
6	Benefits in Focus - \$100,000 - Policy Info Unknown											
Sub Total:						\$5,300,000	\$25,585		unknown	unknown		

\*Personal ownership is increasing the value of gross estate and possibly exposing to state and federal estate tax

### Recommended Policies -Sample Male - Maximum Coverage - 2nd best preferred

	COMPANY	POLICY #	ISSUE DATE	POLICY TYPE	POLICY DURATION	DEATH BENEFIT	ANNUALIZED PREMIUM	MODE	CASH VALUE	BASIS	INSURED	OWNER/BENEFICIARY
1	Companion	-	-	GUL	Lifetime	\$2,120,000	\$18,301.32	Monthly	-	-	Mr. Client	TBD
2**	ING	-	8/21/2008	Term	24 years & 3 months (G)	\$700,000	\$2,339.28	Monthly	-	-	Mr. Client	TBD
3	Principal	-	-	Term	15 years (G)	\$1,225,000	\$1,866.60	Monthly	-	-	Mr. Client	TBD
4	Companion	-	-	Term	10 Year Level (G)***	\$600,000	\$752.28	Monthly	-	-	Mr. Client	TBD
5	Principal	-	-	Term	10 Year Level (G)***	\$2,250,000	\$2,396.64	Monthly	-	-	Mr. Client	TBD
6	Benefits in Focus - \$100,000 - Policy Info Unknown											
Sub Total:						\$6,895,000	\$25,656		unknown	unknown		

(G) - Guaranteed Duration



# “Modernized” Long-Term Care Solutions



# Current state of LTC Insurance Industry

1. Major insurers who left the marketplace:
  - a) Aetna, Allianz, Consec, Equitable, Guardian, Met Life, Nationwide, Penn Treaty, Principal, Prudential, RiverSource, Unum
  
2. Major insurers who raised premium on policyholders:
  - a) All except one!



# Two Types of Life Insurance LTC Access

1. Chronic Illness 101(g)
  - a) Tax free acceleration of death benefit for chronic illness
  - b) Indemnity benefit
  - c) "free" rider
  - d) Actuarial adjustment on back end to beneficiary
  - e) Limited underwriting (table or better)
  - f) *"is likely to last the rest of the insured's life"*

2. LTC Rider - 7702B
  - a) Tax free acceleration of death benefit for chronic illness
  - b) Indemnity or reimbursement (indemnity used in ILIT and Buy/Sell)
  - c) Additional cost
  - d) Dollar for dollar adjustment
  - e) Full morbidity underwriting
  - f) Will pay BOTH permanent and temporary claims (mild stroke, cancer, etc)



# Business Planning



# Business Planning Post ATRA

1. Fewer federal estate tax forms being filed
2. Fewer survivorship life insurance sales for life insurers
3. Insurers allocating resources to business succession planning
  - a) Complimentary business valuations
  - b) Buy/sell document review
  - c) Multi-life cases
  - d) Non-qualified planning
  - e) Increased life, annuity, disability sales
  - f) Split dollar creates arbitrage



# Income Planning Post ATRA





# Income Planning Post ATRA

Higher exemption limits, higher income tax rates, & higher capital gain tax rates:

1. Income planning is the new estate planning
2. Higher exemption grants permission for life insurance to be included in gross estate
3. Tax favored nature of life insurance combats increase ordinary income and capital gain rates

# Qualified or Non-Qualified

## Qualified Plans

- a) Immediate tax relief
- b) Higher exemption may allow life insurance to be owned by QP
- c) Tax deductible premium
- d) Must include all EE's
- e) Taxable retirement income

## Non-Qualified Plans

- a) Back-end tax relief
- b) Higher exemption may allow life insurance to be owned by individual
- c) After-tax premium
- d) Discriminatory
- e) Tax-free retirement income



# Q vs NQ (Pre-retirement)

		Qualified Plan				Non-Qualified Plan			
Year	Age End of Year	Pre Tax Plan Deposit	Pre Tax Plan Withdrawal	Year End Value Untouched	Year End Liquidated + Tax Penalty	Annual Premium/ Withdrawals	Cash Value EOY	Cash Surrender Value EOY	Death Benefit EOY
1	48	\$153,846		\$159,923	\$87,958	\$100,000	\$81,221	\$33,948	\$2,694,454
2	49	\$153,846		\$326,163	\$179,390	\$100,000	\$170,313	\$128,240	\$2,783,546
3	50	\$153,846		\$498,970	\$274,433	\$100,000	\$264,485	\$227,612	\$2,877,718
4	51	\$153,846		\$678,602	\$373,231	\$100,000	\$363,916	\$332,243	\$2,977,149
5	52	\$153,846		\$865,330	\$475,931	\$100,000	\$468,854	\$442,381	\$3,082,087
6	53	\$153,846		\$1,059,433	\$582,688	\$100,000	\$584,994	\$563,720	\$3,198,227
7	54	\$153,846		\$1,261,204	\$693,662	\$100,000	\$707,420	\$691,347	\$3,320,653
8	55	\$153,846		\$1,470,945	\$809,020	\$100,000	\$836,322	\$825,449	\$3,449,555
9	56	\$153,846		\$1,688,970	\$928,934	\$100,000	\$971,888	\$966,215	\$3,585,121
10	57	\$153,846		\$1,915,608	\$1,053,584	\$100,000	\$1,114,508	\$1,114,508	\$3,727,741
11	58	\$153,846		\$2,151,197	\$1,183,158	\$100,000	\$1,274,258	\$1,274,258	\$3,727,741
12	59	\$153,846		\$2,396,093	\$1,317,851	\$100,000	\$1,443,952	\$1,443,952	\$3,727,741
13	60	\$153,846		\$2,650,661	\$1,722,930	\$100,000	\$1,624,266	\$1,624,266	\$3,727,741
14	61	\$153,846		\$2,915,285	\$1,894,936	\$100,000	\$1,815,902	\$1,815,902	\$3,727,741
15	62	\$153,846		\$3,190,362	\$2,073,736	\$100,000	\$2,019,633	\$2,019,633	\$3,727,741

Tax Bracket (LTCG): 35.00%  
 Pre-Tax Rate of Return: 5.00%  
 Early Distribution Penalty: 10.00%  
 Management Fee: 1.00%

# Q vs NQ (Post-retirement)

16	63		-\$246,154	\$3,070,228	\$1,995,648	-\$160,000	\$1,973,381	\$1,973,381	\$2,486,460
17	64		-\$246,154	\$2,945,348	\$1,914,476	-\$160,000	\$1,924,190	\$1,924,190	\$2,385,995
18	65		-\$246,154	\$2,815,535	\$1,830,098	-\$160,000	\$1,871,932	\$1,871,932	\$2,283,757
19	66		-\$246,154	\$2,680,595	\$1,742,387	-\$160,000	\$1,816,470	\$1,816,470	\$2,179,764
20	67		-\$246,154	\$2,540,325	\$1,651,211	-\$160,000	\$1,757,489	\$1,757,489	\$2,091,412
21	68		-\$246,154	\$2,394,514	\$1,556,434	-\$160,000	\$1,694,812	\$1,694,812	\$1,999,878
22	69		-\$246,154	\$2,242,943	\$1,457,913	-\$160,000	\$1,628,233	\$1,628,233	\$1,905,033
23	70		-\$246,154	\$2,085,386	\$1,355,501	-\$160,000	\$1,557,544	\$1,557,544	\$1,806,751
24	71		-\$246,154	\$1,921,605	\$1,249,043	-\$160,000	\$1,482,483	\$1,482,483	\$1,704,855
25	72		-\$246,154	\$1,751,354	\$1,138,380	-\$160,000	\$1,402,806	\$1,402,806	\$1,598,684
26	73		-\$246,154	\$1,574,379	\$1,023,346	-\$160,000	\$1,318,148	\$1,318,148	\$1,493,326
27	74		-\$246,154	\$1,390,413	\$903,768	-\$160,000	\$1,228,315	\$1,228,315	\$1,379,501
28	75		-\$246,154	\$1,199,180	\$779,467	-\$160,000	\$1,133,116	\$1,133,116	\$1,256,932
29	76		-\$246,154	\$1,000,394	\$650,256	-\$160,000	\$1,032,325	\$1,032,325	\$1,125,297
30	77		-\$246,154	\$793,756	\$515,941	-\$160,000	\$924,796	\$924,796	\$1,022,342
31	78		-\$246,154	\$578,955	\$376,321	-\$160,000	\$810,062	\$810,062	\$912,213
32	79		-\$246,154	\$355,670	\$231,186	-\$160,000	\$687,606	\$687,606	\$794,385
33	80		-\$246,154	\$123,565	\$80,317	-\$160,000	\$556,819	\$556,819	\$668,235
34	81		-\$80,317			-\$160,000	\$417,274	\$417,274	\$533,330
35	82					-\$160,000	\$268,183	\$268,183	\$388,860
36	83						\$278,959	\$278,959	\$404,412
37	84						\$289,483	\$289,483	\$419,867
38	85						\$299,611	\$299,611	\$435,080



# Estate Planning Post-ATRA



# Estate Planning Post-ATRA

What clients want?

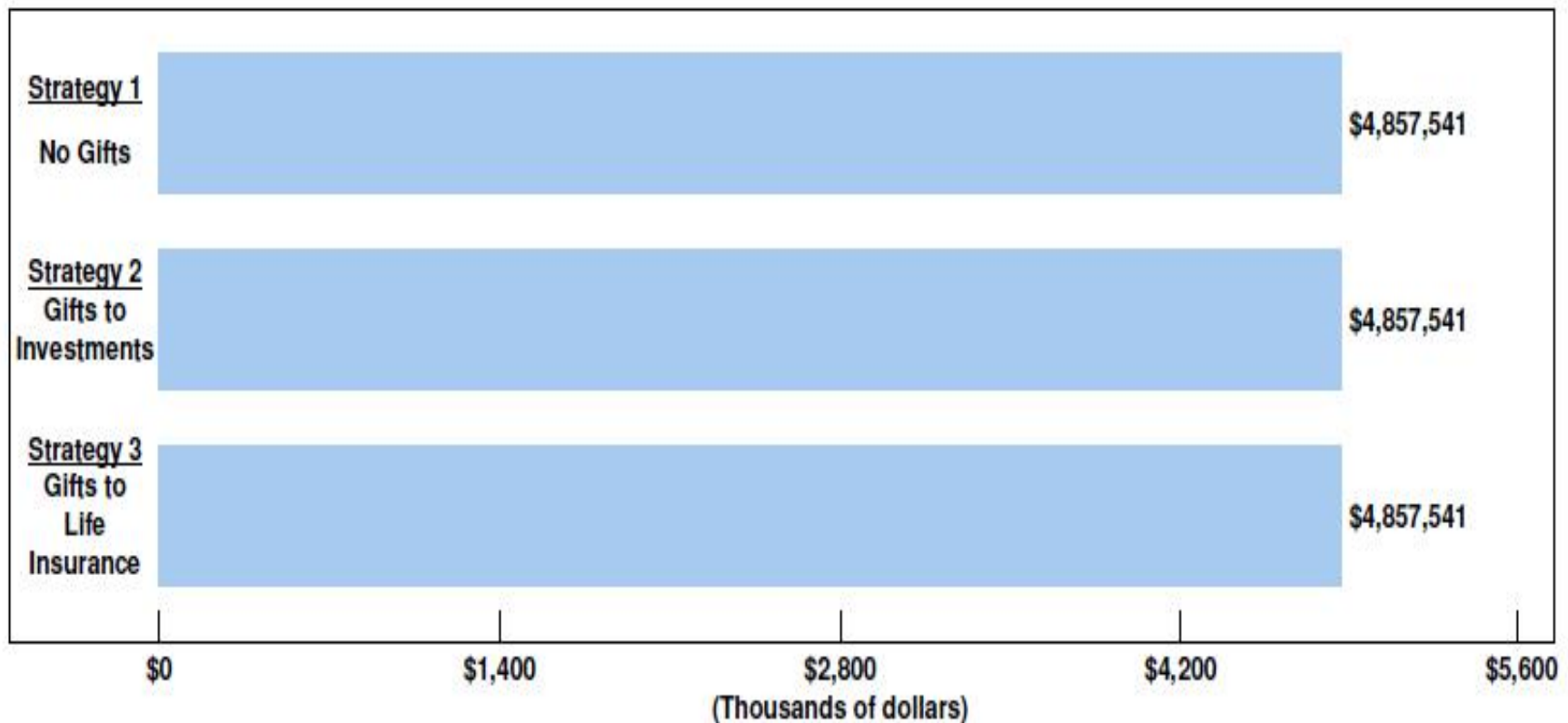
1. Can the estate assets produce the retirement income needed?
2. Does gifting risk reducing the Net Worth below a client's comfort zone?
3. Will the gifting program produce effective results for the children?
4. If so, how does using life insurance compare to not using it?

# Does cash flow permit gifting?

Year	Client Spouse		Annual Cash Flow Required		Annual Cash Flow Provided				
	Age	Age	(1) After Tax Spendable Cash Flow Required*	(2) Expected After Tax Cash Flow	(3) After Tax Cash Flow from Retirement Plan Assets	(4) After Tax Cash Flow from Taxable & Tax Exempt Accounts	(5) After Tax Cash Flow from Equity Assets	(6) After Tax Cash Flow from Tax Deferred Assets	(7) Total After Tax Cash Flow Provided*
1	65	60	110,000	28,915	0	81,085	0	0	110,000
2	66	61	113,000	29,782	0	83,218	0	0	113,000
3	67	62	116,090	30,676	0	85,414	0	0	116,090
4	68	63	119,273	31,596	0	87,677	0	0	119,273
5	69	64	122,551	32,544	0	90,007	0	0	122,551
6	70	65	125,927	43,754	39,777	42,396	0	0	125,927
7	71	66	129,405	45,066	42,370	41,969	0	0	129,405
8	72	67	132,987	46,418	45,125	41,444	0	0	132,987
9	73	68	136,677	47,811	48,052	40,814	0	0	136,677
10	74	69	140,477	49,245	51,162	40,070	0	0	140,477
11	75	70	134,392	37,283	54,463	42,646	0	0	134,392
12	76	71	138,423	38,401	57,967	42,055	0	0	138,423
13	77	72	142,576	39,553	61,394	41,629	0	0	142,576
14	78	73	146,853	40,740	65,319	40,794	0	0	146,853
15	79	74	151,259	41,962	69,122	40,175	0	0	151,259
16	80	75	155,797	43,221	73,115	39,461	0	0	155,797
17	81	76	160,471	44,518	77,301	38,652	0	0	160,471
18	82	77	165,285	45,853	81,684	37,748	0	0	165,285
19	83	78	170,243	47,229	86,265	36,749	0	0	170,243
20	84	79	175,351	48,646	91,044	35,661	0	0	175,351

# Confirm Lifestyle Will Not Change

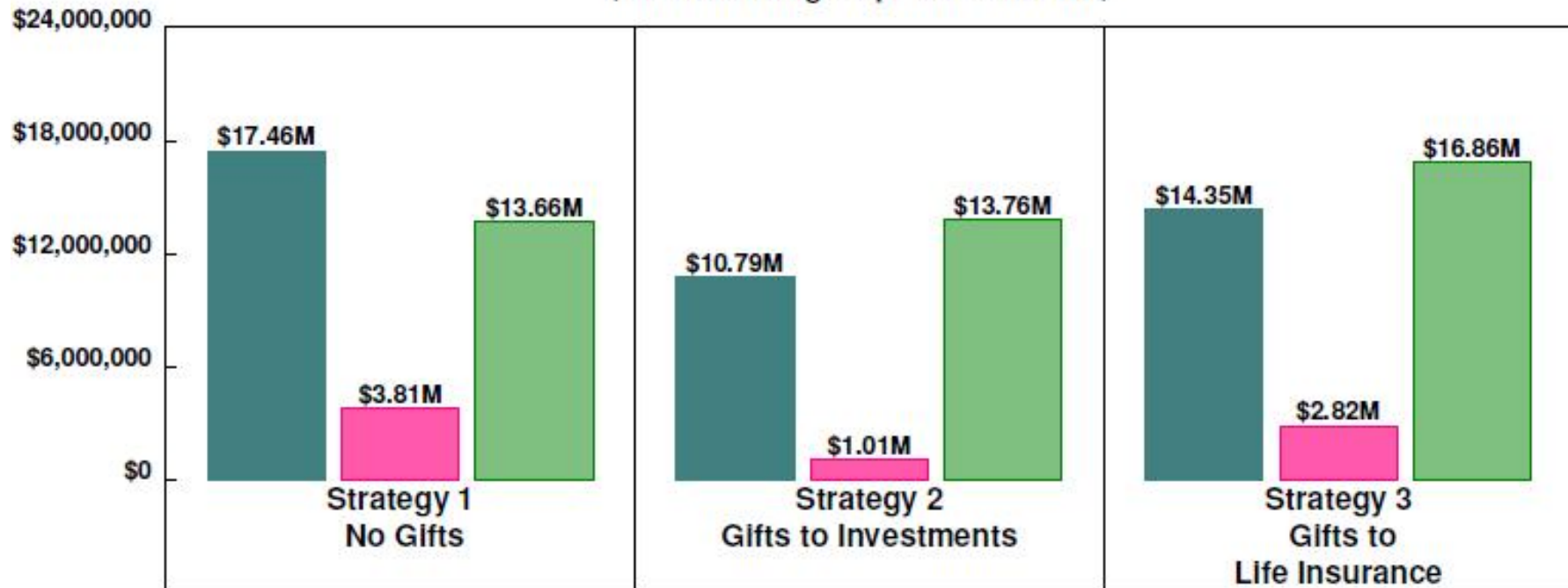
Cumulative Spendable Cash Flow by Ages 94/89





# Best use of Gifts?

Values at Ages 94/89  
(After Providing Required Cash Flow)



■ Cumulative Spendable Cash Flow  
■ Net Worth  
■ Transfer Taxes  
■ Wealth to Heirs



# Estate Planning with Life Insurance

1. Life Insurance IRR on death produces a favorable yield
2. Never a better time for gifting
3. Interest Rate arbitrage
  - a) Dual loans
  - b) Split dollar
  - c) Installment sale
  - d) GRAT
  - e) Premium Finance (Private and Commercial)



# Trust Equivalent IRR

Female Age 73 - Standard - Table 4 - Non-Tobacco									
Pay All Years - Quarterly Mode									
		Life Insurance				Side-Fund Results			
		Universal Life Insurance				Income Tax Rate	Pre-Tax Rate	Post-Tax Rate	Estate Tax Rate
						35.00%	5.00%	3.25%	40.00%
End of Year	Age	Premium	Death Benefit	IRR Death Benefit	IRR Trust Equivalent	Annual Premium Savings	Starting Balance	Ending Balance	Estate Post-Tax Net to Heirs 60%
1	74	\$481,584	\$10,000,000	5232.23%	8720.38%	\$481,584	\$481,584	\$497,235	\$298,341
2	75	\$383,200	\$10,000,000	455.85%	759.75%	\$383,200	\$880,435	\$909,050	\$545,430
3	76	\$383,200	\$10,000,000	175.66%	292.77%	\$383,200	\$1,292,250	\$1,334,248	\$800,549
4	77	\$383,200	\$10,000,000	98.26%	163.77%	\$383,200	\$1,717,448	\$1,773,265	\$1,063,959
5	78	\$383,200	\$10,000,000	64.34%	107.23%	\$383,200	\$2,156,465	\$2,226,550	\$1,335,930
6	79	\$383,200	\$10,000,000	45.83%	76.38%	\$383,200	\$2,609,750	\$2,694,567	\$1,616,740
7	80	\$383,200	\$10,000,000	34.38%	57.30%	\$383,200	\$3,077,767	\$3,177,794	\$1,906,677
8	81	\$383,200	\$10,000,000	26.69%	44.48%	\$383,200	\$3,560,994	\$3,676,727	\$2,206,036
9	82	\$383,200	\$10,000,000	21.21%	35.35%	\$383,200	\$4,059,927	\$4,191,874	\$2,515,124
10	83	\$383,200	\$10,000,000	17.14%	28.57%	\$383,200	\$4,575,074	\$4,723,764	\$2,834,258
11	84	\$383,200	\$10,000,000	14.02%	23.37%	\$383,200	\$5,106,964	\$5,272,940	\$3,163,764
12	85	\$383,200	\$10,000,000	11.56%	19.27%	\$383,200	\$5,656,140	\$5,839,965	\$3,503,979
13	86	\$383,200	\$10,000,000	9.59%	15.98%	\$383,200	\$6,223,165	\$6,425,418	\$3,855,251
14	87	\$383,200	\$10,000,000	7.98%	13.30%	\$383,200	\$6,808,618	\$7,029,898	\$4,217,939
15	88	\$383,200	\$10,000,000	6.64%	11.07%	\$383,200	\$7,413,098	\$7,654,024	\$4,592,414
16	89	\$383,200	\$10,000,000	5.51%	9.18%	\$383,200	\$8,037,224	\$8,298,433	\$4,979,060
17	90	\$383,200	\$10,000,000	4.55%	7.58%	\$383,200	\$8,681,633	\$8,963,786	\$5,378,272



# Paying Premiums With Arbitrage

\$5,000,000 Loaned at .36% interest (September '14 AFR)

Assume 3% income return and \$132,000 to premiums

Year	Note Balance	Interest on Note (.36%)	Principal	Income Generated (3%)	Arbitrage Amount	Premiums	Death Benefit
1	\$5,000,000	\$18,000	\$5,000,000	\$150,000	\$132,000	\$132,000	\$2,500,000
2	\$5,000,000	\$18,000	\$5,000,000	\$150,225	\$132,000	\$132,000	\$2,500,000
3	\$5,000,000	\$18,000	\$5,000,000	\$150,457	\$132,000	\$132,000	\$2,500,000
4	(\$5,000,000)	-	-	-	-	-	\$2,500,000

Annual premiums of \$132,000 for three years on an SGUL insurance policy for \$2,500,000 of death benefit on Male, Age 65, and Female, Age 60, both Preferred Non Smokers. Policy remains paid up



# Corporate and Private Split Dollar

Duration		XYZ Corporation			Family Legacy Trust					
Year	Age End Of Yr	Annual Premium Paid on Behalf of EE	Cummulative Premium Paid	Corporate Recovery on Death	Trust Economic Benefit (Tax to EE)#	Gift to Trust	Cumulative Gift to Trust	Policy Cash Value*	DB Before Corporation Repayment*	DB After Corporation Repayment*
1	68	550,785	550,785	550,785	24,100	24,100	24,100	216,009	10,550,785	10,000,000
2	69	550,785	1,101,570	1,101,570	26,900	26,900	51,000	643,596	11,101,570	10,000,000
3	70	550,785	1,652,355	1,652,355	29,600	29,600	80,600	1,076,944	11,652,355	10,000,000
4	71	550,785	2,203,140	2,203,140	32,800	32,800	113,400	1,521,143	12,203,140	10,000,000
5	72	550,785	2,753,925	2,753,925	36,500	36,500	149,900	1,973,957	12,753,925	10,000,000
6	73	550,785	3,304,710	3,304,710	40,600	40,600	190,500	2,434,915	13,304,710	10,000,000
7	74	550,785	3,855,495	3,855,495	45,100	45,100	235,600	2,908,156	13,855,495	10,000,000
8	75	550,785	4,406,280	4,406,280	50,100	50,100	285,700	3,510,078	14,406,280	10,000,000
9	76	550,785	4,957,065	4,957,065	55,500	55,500	341,200	4,126,595	14,957,065	10,000,000
10	77	550,785	5,507,850	5,507,850	363,300	363,300	704,500	4,758,135	15,507,850	10,000,000
11	78	550,785	6,058,635	6,058,635	401,700	401,700	1,106,200	5,414,712	16,058,635	10,000,000
12	79	550,785	6,609,420	6,609,420	443,300	443,300	1,549,500	6,083,482	16,609,420	10,000,000
13	80	550,785	7,160,205	7,160,205	492,300	492,300	2,041,800	6,760,286	17,160,205	10,000,000
14	81	550,785	7,710,990	7,710,990	545,600	545,600	2,587,400	7,438,946	17,710,990	10,000,000
15	82	550,785	8,261,775	8,261,775	550,785	550,785	3,138,185	8,124,721	18,261,775	10,000,000
16	83	550,785	8,812,560	8,812,560	550,785	550,785	3,688,970	8,756,831	18,812,560	10,000,000
17	84	550,785	9,363,345	9,363,345	550,785	550,785	4,239,755	9,380,301	19,363,345	10,000,000
18	85	550,785	9,914,130	9,914,130	550,785	550,785	4,790,540	9,989,643	19,914,130	10,000,000



# Private Financing Design

Duration		Estate				Trust					
Year	Age End Of Yr	Annual Premium Loan	Cummulative Premium Loan*	Applicable Federal Rate	Estate Recovery on Death	Trust Payment to Client	Gift to Trust	Cumulative Gift to Trust	Trust Side Fund at 4%	Policy Cash Value	DB Before Estate Loan Repayment
1	54	4,842,050	4,842,050	1.86%	4,842,050	90,062	90,062	90,062		100,000	99,999,999
2	55	4,842,050	9,684,100	1.86%	9,684,100	180,124	180,124	270,186		2,405,000	100,012,446
3	56	4,842,050	14,526,150	1.86%	14,526,150	270,186	270,186	540,373		6,811,539	100,027,841
4	57	4,842,050	19,368,200	1.86%	19,368,200	360,249	360,249	900,621		12,210,777	102,131,119
5	58	4,842,050	24,210,250	1.86%	24,210,250	450,311	450,311	1,350,932		18,198,105	104,989,908
6	59	4,842,050	29,052,300	1.86%	29,052,300	540,373	540,373	1,891,305		24,443,293	107,805,813
7	60	4,842,050	33,894,350	1.86%	33,894,350	630,435	630,435	2,521,740		30,882,347	110,654,691
8	61	4,842,050	38,736,400	1.86%	38,736,400	720,497	720,497	3,242,237		37,620,559	113,541,615
9	62	4,842,050	43,578,450	1.86%	43,578,450	810,559	810,559	4,052,796		44,778,734	116,705,142
10	63	4,842,050	48,420,500	1.86%	48,420,500	900,621	900,621	4,953,417		52,276,041	120,160,168
11	64	4,842,050	53,262,550	1.86%	53,262,550	990,683	990,683	5,944,101		60,038,866	123,361,073
12	65	4,842,050	58,104,600	1.86%	58,104,600	1,080,746	1,080,746	7,024,846		68,201,381	126,575,577
13	66		58,104,600	1.86%	58,104,600	1,080,746	1,080,746	8,105,592		71,767,336	129,808,909
14	67		58,104,600	1.86%	58,104,600	1,080,746	1,080,746	9,186,337		75,442,543	133,066,129
15	68	-58,104,600								18,403,246	61,236,639
16	69									20,135,822	62,893,568
17	70									21,891,961	64,635,523
18	71									23,886,844	66,475,451
19	72									26,031,187	68,418,161
20	73									28,349,138	70,494,328



# Thank you

Anthony J. Mento, CFP®

LIFE Brokerage, LLC

O: 609 270 4576

M: 609 500 4589