

DIVERSIFIED INSURANCE BROKERS, INC.

Don't let clients liquidate assets to pay for life insurance

Do your high net worth clients face a choice of which asset to liquidate to pay for life insurance? Clients with highly appreciated assets will resist using their capital to pay life insurance premiums when it could be applied to assets that might provide better returns.

Numerous issues can arise when the time comes to pay for large life insurance contracts:

1. High net worth clients often have their insurance owned within trusts. Gifting limitations may come into play.
2. The opportunity cost of paying a life insurance premium may discourage clients who have their resources allocated to high performing assets.
3. Large, long-term commitments to premium payments can be a barrier.
4. Cash-flow timing can be an issue. Cash available for premiums may be low currently, but the future sale of a business or some other large cash influx may be on the horizon.
5. For these clients, the use of third-party money frees up their capital for investments. For the right client, premium financing may provide the solution.

Estate planning solution

Life insurance owned by a trust is a popular method to provide liquidity for estate taxes at death. Clients placing life insurance in a trust outside their estate may have trouble finding enough room under the IRS' annual gift-tax exclusion to fund their life insurance need. This exclusion amount does not apply if the trust borrows the premiums it needs to fund the life insurance.

Learn more

Contact our Premium Finance Team for advanced case design and consultative premium finance support.
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Business owner solution

Business owner clients may prefer to borrow from a third party and leverage their life insurance premiums. This enables them to wait for the right time to liquidate an asset to pay off the loan. Premium financing may provide an additional option when a business sale is imminent and the owner anticipates a large influx of cash in the future.

Using premium financing in the proper context with the right client can provide solutions to some of the funding issues high net worth clients face.

Borrowing to pay premiums

1. Does not create a gift, although the interest payments do create smaller gifts than the full premium.
2. Potentially leverages the out-of-pocket payments of interest, which can significantly increase the potential return on death benefits.
3. Helps minimize the client's long-term commitment to premium payments by simply paying the interest on the loan.
4. Using a loan structure to purchase life insurance while the client's cash flow is lower can lock in insurability and allow for a rollout later, when the client realizes a large cash infusion.

Rely on us for competitive premium finance cases

1. More than a decade of experience providing premium finance expertise.
 2. Strong product offerings that provide excellent leverage potential, including our single life and survivorship indexed universal life (IUL).
 3. Underwriting expertise for high net worth clients.
 4. Case design and presentation support to help you educate your clients on the risks and benefits of using premium financing.
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