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Premium Financing - Because They Can!

By Rich Ericson

It's common knowledge that entrepreneur, Bill Gates, founded the world's largest software business, Microsoft, with Paul Allen, and subsequently became one of the richest men in the world. This was done using keen business tactics, technical innovation, and thoughtful planning, all of which have resulted in the creation of thousands of jobs, producing an assortment of products, and the conception of the Bill and Melinda Gates Foundation. His story can help remind all of us of the fact that it's important to use the tools we have been given to the best of our abilities, and to ask for help when our abilities become limited.

Traditionally, individuals who create wealth have researched, know of, understand, and act upon opportunities which continue to generate additional wealth. There are multiple strategies available and high net worth individuals typically have diverse portfolios in which each strategy they use provides multiple benefits. Premium financed life insurance is one of those benefits.

My experience working with high net worth individuals is that they understand these key facts and look for investments which include one or more of these principles:

Cash flow. Cash is king, and cash funds the various opportunities available. Using someone else's cash, maintains the investor's cash by using someone else's. Now the investor is not taking \$1 to purchase \$1, he or she is now taking \$1 to purchase \$100. Recently in a meeting with an accountant, the Ah, hah moment came when he saw the out of pocket expense was so small, when compared to the heavy lifting being done by a lender, and the projected outcome for his client.

Taxes. Premium financed life insurance super-charges the cash value within the policy that is accessed TAX FREE in the future. Utilizing tax free income for retirement is a long term approach. Tax Free income again benefits high net worth individuals more than most. Tax rates will be higher in the future. The time to plan for the future is now! Current tax rates are higher now than they were just 5 years ago.

Estate Tax. High net-worth individuals employ life insurance to pass on wealth, remove assets from their estate, and to protect their families in the event of premature death.

Interest. Wealthy individuals understand how to earn interest rather than pay interest. Wealthy individuals not only know what Arbitrage means, they understand it, and they have investments which create arbitrage.

Risk. Again, my experience with high net-worth individuals and risk is that they don't like risk any more than anyone else, in fact often times their wealth is created without taking on any risk at all. I believe aggressive investing is much different than risky investing. Never losing is safe investing. With Premium financed life insurance, the cash value will never lose and over the last 20 years averaged 7.5% return. This time period of course includes the recessions of 2001 and 2008.

Premium financed life insurance provides benefits in each of these areas. Last week a business owner asked me, "Why doesn't everyone do this?" I answered, "Because they can't." And in fact, premium financing is not available to everyone. Premium financed life insurance is a tool for the wealthy, **Because They Can!**

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