



ALINK

Captive Insurance Services

The SMART way to buy life insurance

Smart /sma:t/ adjective; astute, as in business; clever or bright.

You know how the saying goes, "There is no such thing as a free lunch." I beg to differ.

Here is an example of an investor who had a paradigm shift from the status quo method of investing, to an astute, bright way of funding both his life insurance as well as his passions.

Examine the facts. The chart below represents the facts relating to a successful business owner, who like typical business owners had been paying a significant amount of life insurance premium. He now has \$270,000 extra to spend this year.

Example:

	Monthly Insurance Expense	Monthly Tax Expense to Pay Premium	Total Monthly Expense	Annual Expense
Previous Plan	\$15,000.00	\$15,000.00	\$30,000.00	\$360,000.00

	Monthly Interest Insurance Expense	Monthly Tax Expense to Pay Premium	Total Monthly Expense	Annual Expense
New Plan	*\$3,750.00	\$3,750.00	\$7,500.00	\$90,000.00

*The monthly or annual expense is amortized over ten years.

*Tax rate is generalizing 50% (38% Fed, 5% State, 3.8 AMT, 3.8 Obamacare)

Look at the annual expenses. Would you rather pay \$360,000 annually or \$90,000 annually for your life insurance? For the exact same amount of coverage, the current plan saves \$270k in out of pocket expense. Why would you buy life insurance any other way? Otherwise known as “Premium Financing,” financing your insurance premiums allows you to grow your wealth, maintain cash flow, by using a lender’s money.

The savings will provide extra capital to do a number of things which require funding. First and foremost, the capital can be used to fund your passions, whatever they may be, such as funding your charity of choice, sending kids to college, funding your business, funding your travel plans. \$270,000 per year will fund a variety of opportunities.

This is an example of cash flow management. Now that you see the numbers you realize how impactful this new plan can be for your financial well-being. If the tax and cost savings aren’t enough, the other reason to implement this plan is to give you a large tax-free income during retirement, as well as removing these assets from your estate. For the entrepreneur, the cash accumulation can be utilized to fund your next venture or to purchase additional assets which will generate even more funds to work with.

Those who don’t understand the true benefits of financed life insurance worry this is a tool dependent on interest rates or policy performance. Yet, even when interest rates have been high and markets have been shaky, financially savvy investors continue to invest in premium financed life insurance. Why? Because in order for high-net-worth individuals to continue to grow and protect their wealth, they need to take advantage of leverage and actively look for investment opportunities that yield returns greater than the cost of capital. In other words, many need life insurance to address inheritance, business, and tax issues, and they’d prefer to keep the funds they would spend on traditional life insurance premiums to utilize for additional opportunities.

Life Insurance has been utilized in the United States since the 1700’s. It is now over a \$100,000,000,000 industry. It’s not an accident or a mistake that high net-worth individuals make up the majority of this industry. Financing your life insurance is not a free lunch. Premium financing is the smart way to purchase life insurance. I’ll buy you lunch and show you how it works!

Rich Ericson, President

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• Direct: 720-213-0583 • Email: Rich@AlinkCIS.com