

# **NIW Life Strategies**

**Presented by:**

**Proposal for:**

**This proposal is estimated to save you approximately  
\$58 Million**

NIW designed this presentation for your unique estate needs. This proposal will show you how **NIW Life Strategies** is the best choice to maintain control of your assets and maximize liquidity when you need it most. Please review the following client information for accuracy.

# Proposal Overview

## Expect to Cover the Following Topics...

1. Your Options
2. Your Costs - Options 2 & 3
3. How the Strategy Works
4. Detailed Illustration
5. Why NIW?
6. Risk Mitigation
7. Next Steps

## Client Review

Duo Liu

Age	45
Current Estimated Net Worth	\$150M
Taxable Estate (No Lifetime Exclusions)	\$60M
Initial Death Benefit Amount Illustrated	\$114M

## Estate Tax Estimates

Lifetime Exclusions Used	Yes
Lifetime Exclusions Available	0
Estimated Estate Tax Rates (Fed+State)	40%
Current In-Force Insurance	Unknown
Current Estate Tax Liability	\$60M
Average Annual Estate Growth Rate	3%
Estimated Net Worth at Age 85	\$504M
Tax Liability at Age 85	\$202M

For More information please contact:

Agent Information

# Your Options

## Life Strategies - Protecting the Wealth That you Have Created

Most successful people are so busy creating wealth that they don't have the time to protect it. Estate taxes can be crippling and your level of net worth requires a proactive estate tax strategy to ensure that your estate stays intact without spending too much or taking away the ability to earn on your assets.

### Estate Tax Liability

Option 1	Option 2	Option 3
Do Nothing & Pay Current Estate Taxes	Purchase Life Insurance using Your Money to Age 85 (Premiums + Gift Tax)	NIW Life Strategies (Estimated Collateral Needed to Finance Premiums)
<b>\$60M</b>	<b>\$35.0M</b>	<b>\$0.0M Costs (\$15.0M Collateral*)</b>

\*Estimated peak collateral that may increase in the event of policy underperformance.

### Option 1 - Do Nothing and Owe \$60 Million in Current Estate Taxes

Do nothing and have your heirs pay the estate tax of \$60M. At age 85, your estate may be worth \$504M based on a 3.0% growth rate. Do nothing and your heirs will owe \$202 million to the government. If you do not set up a plan, your heirs may have to fire sale a large percentage of your estate.

#### Cost Breakdown of Option 1 - Heirs pay Estate Tax

Current estimated estate tax	\$60M
Estimated estate tax with growth of 3.0%	\$202M

### Option 2 - Purchase \$100 Million Conventional Life Insurance

More sensible than no plan at all, by age 85 this option would cost you \$35.0 million in premiums and gift taxes. Paying for this out of pocket results in lost earnings, and at 3.0% growth rate the opportunity costs add \$32.2M, raising your total true cost to \$67.2 million.

#### Cost Breakdown of Option 2 - Purchase \$100M Policy

Annual Premium (Estimated Premium using Guaranteed UL)	\$629,414
Estimated Annual Gift Tax at 40% Fed + State Rate, After Exclusions*	<u>\$224,566</u>
Total Client Cost Per Year	<u>\$853,980</u>
Total Amount Paid at Age 85	\$ 35,013,164

\*Assuming annual exclusions of \$68,000 (4 x \$17,000).

# Implement NIW Life Strategies

***NIW Life Strategies allows you to retain control of your assets, letting you build your estate now and in the future.***

## Option 3 - NIW Life Strategies

NIW Life Strategies uses leverage to purchase the life insurance you need, which allows you to keep assets within your control, continue to earn a rate of return, and not trigger any gift tax\*. (Using current loan rate projections, the peak collateral projections required will be approximately \$15.0 million). To illustrate the potential risk of this strategy, NIW stress tested this strategy against the worst of 1980's interest rates or performance of products during the Great Depression. Under these extreme economic conditions, it would increase your projected collateral.

### Cost Breakdown of Option 3 - NIW Life Strategies

Projected Annual Out of Pocket Costs	\$0	
Projected Peak Collateral	\$15,037,494	*

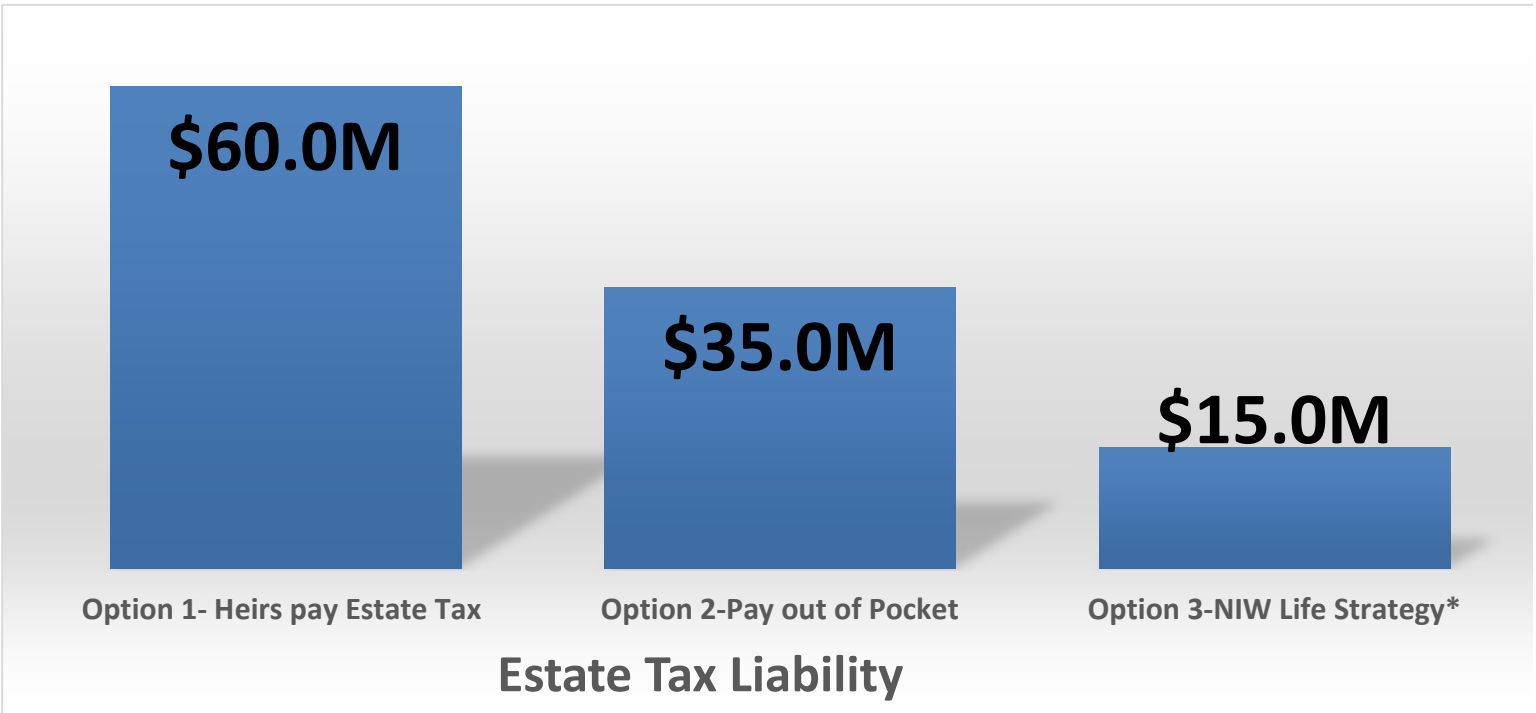
### Stress Test Peak Collateral (Extreme Economic Conditions)

Projected Peak collateral using Great Depression interest rates/product performance	\$17,263,988	*
Projected Peak collateral using 1980's interest rates/product performance	\$31,633,473	*

\*These are projections only, actual results will vary.

Disclaimer: Posting collateral may trigger gift taxes if the client defaults on the loan.

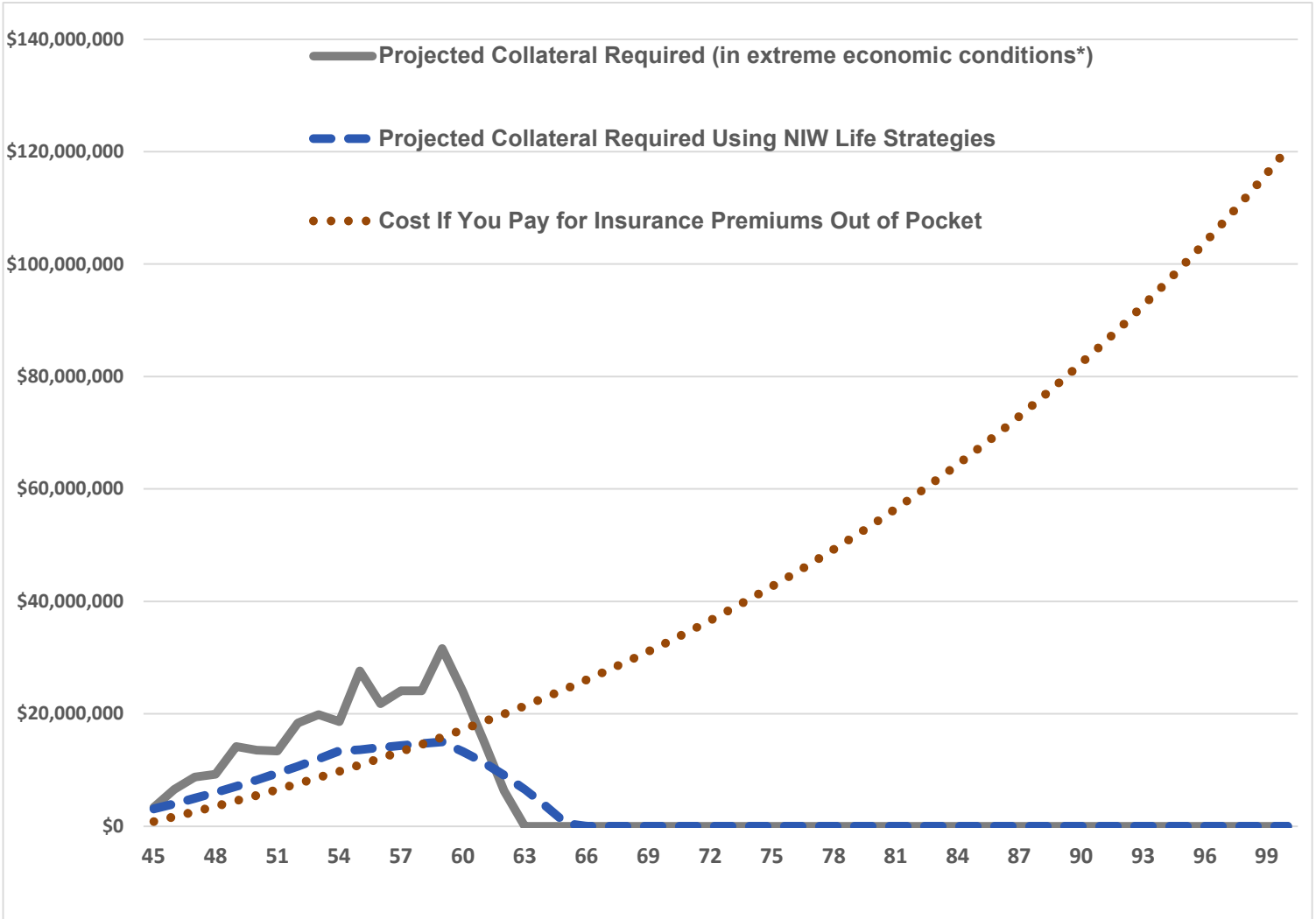
***NIW Life Strategies is projected to save you approximately \$58M***



\*Estimated peak collateral that may increase in the event of policy underperformance.

# Your Options Compared

## Comparison of Collateral Required vs. Premium Payments for \$100M of Insurance



\*Interest rates based on the product performance during the 1980's high interest rate environment or Great Depression (whichever one is worse)

**Shown above:** Out of pocket conventional payments continue to escalate over time. Using financing, the collateral requirements for NIW Life Strategies rise and then disappear completely, even under extreme economic conditions.

## Paying vs. Capitalizing Interest

Paying the interest on the loan requires you to liquidate your assets - depriving you of any opportunity for growth. In addition, paying interest requires contributions to the trust which may trigger gift taxes. As an example, just the interest for the the first 10 years for this proposal is \$22.3 million excluding gift taxes. Pledging collateral will allow you to keep the assets under your control allowing for future growth.

# Risk & Risk Mitigation

*NIW's Risk Mitigation has resulted in the highest plan success rate in the industry.*

## What are my Major Risks

- 1. Policy performance vs. loan cost (risk spread return)** - This plan assumes the policy performance will be +1.5 - 2% more than the cost of the loan over time. The historical average has been 2 - 3%.
- 2. Interest rates** - Any increases in interest rates above those shown will result in the need for you to either pay some of the interest or post more collateral.
- 3. Policy Performance** - While these products cannot lose money from the investment returns, they can have poor performance. Insurance costs during poor performance can result in cash value declines. If this happens, collateral will increase.
- 4. Bank Continuity** - The risk of lender not renewing the loan.
- 5. Client Wealth** - If the client loses their net worth, they may not have the ability to post the collateral and/or pay the interest required to keep the plan working.

*NIW conducts annual servicing as part of the plan until the loan is retired with a special consideration for all of the risks above. We believe that our clients deserve and benefit greatly from our comprehensive servicing.*

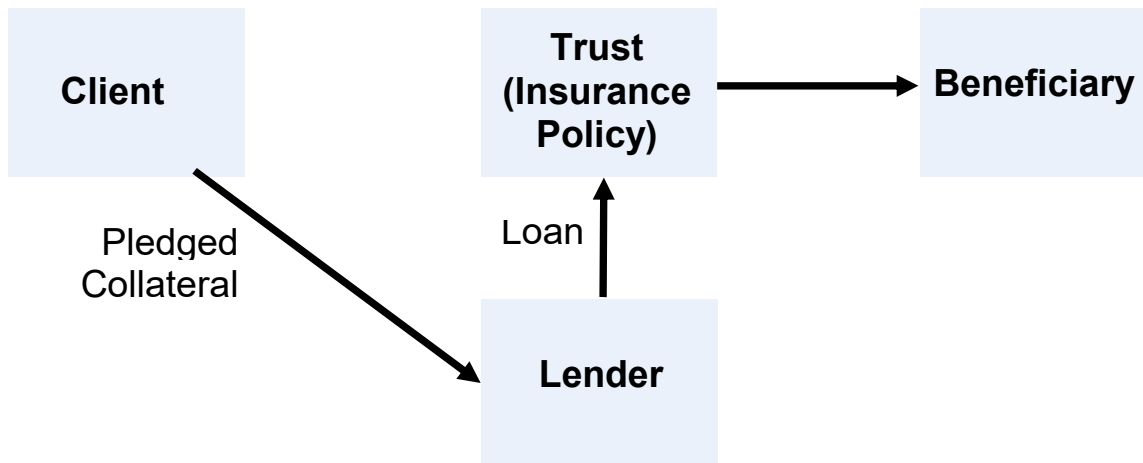
## Risk Mitigation

- 1. Stress Test** - NIW conducts the most severe stress testing on the market. Designs have been stress tested to survive either the Great Depression or 1980s interest rate environments. This gives the client the opportunity to see extreme underperformance risk.
- 2. Interest rate risk** - Interest rate hedging is also available if desired (for additional cost).
- 3. Policy Performance** - NIW chooses carriers based on the durability of their product design. A great deal of time is spent selecting the products which provide the very best quality and compliment our clients' needs.
- 4. Bank Continuity** - NIW works with multiple lenders and will refinance unless the client is no longer credit worthy (which would trigger a default irrespectively).
- 5. Client Wealth** - NIW cannot control this issue but annual servicing until the loan is retired allows a controlled shut down should this occur.

Client Signature \_\_\_\_\_

Date \_\_\_\_\_

# How the Strategy Works



## Explanation of Columns

**Establish Trust** - Establish a trust or other bankruptcy-remote entity (e.g. LLC, FLP, etc.) which has the capacity to assign the policy and borrow money. The trust will owe the bank loan, limiting the client's liability to the pledged collateral (in most cases).

**Loan Arrangement** - NIW will arrange for a loan to cover the cost of the premiums (col. D) and in most cases interest (col. F) and any other fees (col. E) needed to secure the loan. The cumulative loan balance is listed in column I. Note, your illustration assumes a rising interest rate forecast provided by major banks, plus a bank margin of 1.75% for an estimated total interest rate of (col. C). Interest rate and margins are subject to change. **The illustrated rates are indicative of bank rates for this type of loan. Rates vary by bank and type of collateral being pledged.** Interest rate increases or policy poor performance could result in client paying some or all interest or increased collateral required.

**Policy Values** - The projected year end surrender value per illustration (col. J) is the projected year end cash surrender value of the policy assuming an illustrated growth rate (see carrier illustration). Column K is the estimated net surrender cash value of the policy assuming a minimum or no growth rate (the numbers shown are just projections and should only be used as a guideline).

**Policy Collateral** - Each year most banks use the actual low point amount (supplied by the insurance carrier) which is the lowest net surrender value to calculate your required additional outside collateral. The low point amount is calculated at 0% or the guaranteed growth rate minus all insurance costs.

**Client Collateral** - Your collateral requirements (col.L) are initially projected to be \$3.1M in year one rising to a peak of \$15.0M over the life of the loan (your collateral requirements could increase due to normal market performance and/or in the event of policy under performance). Under NIW's multiple stress tests, the collateral requirements could rise to a peak collateral of \$31.6M (col. M). Pledged collateral can be in the form of cash, bonds, securities or other liquid assets. Other forms of collateral may be considered on a case by case basis.

**Loan Repayment** - The objective is to use the policy cash surrender value to pay back the loan and leave the life policy intact. In your illustration, the loan is projected to be repaid in year 24 (col. H), however underperformance could delay the repayment.

**Stress Test** - Projected Peak collateral using 1980's interest rates/product performance (col. M) and (col. N) Projected Peak collateral using Great Depression interest rates/product performance (which includes a bank discount).

**Death Benefit** - The death benefit starts at \$113.1 million and at age 85 is projected to be \$205.3 million (col. O) (underperformance could result in a lower death benefit).

**Projected Annual Supplemental Income** - Column (P) illustrates the potential annual supplemental income using policy loans, if applicable.

\* The numbers show are projections and should only be used as a guideline. Actual results may vary depending on policy performance.



Design For:

Female Elite NS, Age 45

NLG

Presented By:

Illustration Crediting Assumption used: 6.42%

**NIW Life Strategies**

**Insurance Policy Used  
as Collateral**

**Required  
Collateral**







**Stress  
Test**




**Benefit**



Year	Age	Total Loan Rate Including Margin	Total Premium Paid	Estimated Loan Set Up & Legal Fee	Projected Bank Loan Interest	Client Out of Pocket Payments	Projected Loan Repayment Using Policy Loan	Projected Cumulative Bank Loan Including Interest	Projected Year End Surrender Value Per Illustration	0% Growth (Policy Low Point) Estimate Calculation	Projected Collateral Needed (With Bank Discount)	Projected Collateral 1980's Interest (With Bank Discount)	Projected Net Illustrated Year End Death Benefit Net of Loan Payoff
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I) (D thru H)	(J)	(K)	(L) (I-(K * 100%)	(M)	(O)
1	45	7.00%	6,040,350	10,000	429,407	-	-	6,479,757	3,741,388	3,367,249	3,112,508	3,374,446	113,083,231
2	46	5.37%	6,040,350		681,668	-	-	13,201,774	9,869,108	9,178,270	4,023,504	6,545,449	112,316,134
3	47	5.15%	6,040,350		1,004,733	-	-	20,246,857	16,371,606	15,225,594	5,021,264	8,755,530	111,598,349
4	48	5.23%	6,040,350		1,393,916	-	-	27,681,123	23,275,124	21,645,865	6,035,258	9,241,591	110,890,001
5	49	5.37%	6,040,350		1,835,994	-	-	35,557,467	30,604,350	28,462,046	7,095,421	14,193,967	110,164,483
6	50	5.49%	6,040,350		2,315,438	-	-	43,913,255	38,366,364	35,680,719	8,232,537	13,525,198	109,389,909
7	51	5.58%	6,040,350		2,826,125	-	-	52,779,730	46,604,850	43,342,511	9,437,220	13,383,603	108,578,720
8	52	5.63%	6,040,350		3,357,565	-	-	62,177,645	55,346,186	51,471,953	10,705,692	18,339,469	107,737,341
9	53	5.66%	6,040,350		3,914,765	-	-	72,132,760	64,623,118	60,099,500	12,033,261	19,839,110	106,871,958
10	54	5.68%	6,040,350		4,501,903	-	-	82,675,013	74,467,872	69,255,121	13,419,892	18,596,858	105,984,859
11	55	5.69%	-		4,769,544	-	-	87,444,557	79,357,160	73,802,159	13,642,399	27,616,859	100,112,603
12	56	5.69%	-		5,044,701	-	-	92,489,258	84,368,482	78,462,688	14,026,570	21,781,675	100,079,224
13	57	5.69%	-		5,335,731	-	-	97,824,989	89,717,284	83,437,074	14,387,915	24,105,903	100,092,295
14	58	5.70%	-		5,653,469	-	-	103,478,458	95,428,490	88,748,496	14,729,963	24,067,663	100,150,032
15	59	5.70%	-		5,980,193	-	-	109,458,651	101,528,126	94,421,157	15,037,494	31,633,473	100,069,475
16	60	4.25%	-		4,716,604	-	-	114,175,255	108,469,336	100,876,482	13,298,772	23,924,587	100,094,081
17	61	4.25%	-		4,919,843	-	-	119,095,098	115,890,926	107,778,561	11,316,537	15,208,874	100,195,828
18	62	4.25%	-		5,131,841	-	-	124,226,939	123,825,790	115,157,985	9,068,954	6,292,338	100,198,851
19	63	4.25%	-		5,352,973	-	-	129,579,912	132,309,242	123,047,595	6,532,317	-	100,129,330
20	64	4.25%	-		5,583,634	-	-	135,163,547	141,375,066	131,478,811	3,684,735	-	100,211,519
21	65	4.25%	-		5,824,235	-	-	140,987,781	151,061,558	140,487,249	500,532	-	100,073,777
22	66	4.25%	-		6,075,203	-	-	147,062,984	161,407,190	150,108,687	-	-	100,144,206
23	67	4.25%	-		6,336,985	-	-	153,399,969	172,455,090	160,383,234	-	-	100,055,121
24	68	4.25%	-		6,610,047	-	-	160,010,016	184,253,680	171,355,922	-	-	100,043,664
25	69	4.25%	-		-	-	(160,012,000)	-	27,351,082	-	-	-	100,151,082
26	70	4.25%	-		-	-	-	-	30,703,594	-	-	-	103,503,594
27	71	4.25%	-		-	-	-	-	34,354,126	-	-	-	107,154,126
28	72	4.25%	-		-	-	-	-	38,324,086	-	-	-	111,124,086
29	73	4.25%	-		-	-	-	-	42,636,704	-	-	-	115,436,704
30	74	4.25%	-		-	-	-	-	47,317,364	-	-	-	120,117,364
31	75	4.25%	-		-	-	-	-	52,392,952	-	-	-	125,192,952
32	76	4.25%	-		-	-	-	-	57,890,326	-	-	-	130,690,326
33	77	4.25%	-		-	-	-	-	63,840,602	-	-	-	136,640,602
34	78	4.25%	-		-	-	-	-	70,277,572	-	-	-	143,077,572
35	79	4.25%	-		-	-	-	-	77,238,610	-	-	-	150,038,610
36	80	4.25%	-		-	-	-	-	84,763,886	-	-	-	157,563,886
37	81	4.25%	-		-	-	-	-	92,894,078	-	-	-	165,694,078
38	82	4.25%	-		-	-	-	-	101,676,346	-	-	-	174,476,346
39	83	4.25%	-		-	-	-	-	111,162,882	-	-	-	183,962,882
40	84	4.25%	-		-	-	-	-	121,411,226	-	-	-	194,211,226
41	85	4.25%	-		-	-	-	-	132,483,684	-	-	-	205,283,684
42	86	4.25%	-		-	-	-	-	144,349,016	-	-	-	217,149,016
43	87	4.25%	-		-	-	-	-	157,055,856	-	-	-	229,855,856
44	88	4.25%	-		-	-	-	-	170,655,598	-	-	-	243,455,598
45	89	4.25%	-		-	-	-	-	185,203,120	-	-	-	258,003,120
46	90	4.25%	-		-	-	-	-	200,766,910	-	-	-	273,566,910
47	91	4.25%	-		-	-	-	-	217,420,156	-	-	-	290,220,156
48	92	4.25%	-		-	-	-	-	235,235,246	-	-	-	308,035,246
49	93	4.25%	-		-	-	-	-	254,290,142	-	-	-	327,090,142
50	94	4.25%	-		-	-	-	-	274,669,618	-	-	-	347,469,618
51	95	4.25%	-		-	-	-	-	296,464,932	-	-	-	369,264,932
52	96	4.25%	-		-	-	-	-	319,589,476	-	-	-	392,389,476
53	97	4.25%	-		-	-	-	-	344,104,804	-	-	-	416,904,804
54	98	4.25%	-		-	-	-	-	369,549,078	-	-	-	442,349,078
55	99	4.25%	-		-	-	-	-	395,933,326	-	-	-	468,733,326
56	100	4.25%	-		-	-	-	-	423,283,522	-	-	-	496,083,522

\*Note: The benefits and values shown in this proposal are not guaranteed. The information above is for illustration and comparative purposes only. Actual results will vary depending upon age, insured health rating, premium amount, death benefit amount, insurance interest rate, performance and other variables. This proposal is hypothetical and should not be used to project or predict investment or performance results. Financing life insurance premiums has certain inherent risks including interest rates, financial market perform availability, insurance company ratings and stability. Policy loans and withdrawals reduce the policy's cash value and death benefit and may result in a taxable event. Surrender charges may reduce the policy's cash value in the early years. Surrendering of the policy value could result in substantial tax consequences and loss of the death benefit protection. If you accelerate the death benefit the amount accelerated is no longer available for the death benefit or for loans or withdrawals. Cash surrender value illustrated is roughly e premiums based on current assumptions not guaranteed assumptions. This presentation is not valid unless accompanied by a complete insurance company illustration.

# Why NIW?

Loan	NIW	How This Benefits You
Capitalized Interest		Allows you to keep your assets and their returns
Loan Rate Forecast		More accurate estimates on projected collateral requirements
Interest Rate Stress Tests		Designs are tested to work through tough interest rate environments
Multiple Lender Platform		Safety if a lender cannot continue
Annual Loan Servicing		NIW provides consistent loan servicing to help you keep your plan on track
Loan Exit		NIW Life Strategies is designed to pay off the bank from a loan from the policy cash value while still leaving the policy intact. The competition shows you paying back the loan from the death benefit (which in some cases does not cover the loan)

Product	NIW	How This Benefits You
Optimize Policy Growth		NIW designs your strategy to maximize the accumulation of cash value in your policy.
Product Stress Tests		NIW Life Strategies is tested against extreme economic conditions like a Great Depression scenario
Product Annual Review		NIW shows a comparison of the actual performance to original projections and makes suggestions on how to optimize your strategy

Collateral	NIW	How This Benefits You
Illustrates Bank Discounts		NIW calculates collateral the same way the banks do. Most competitors understate the amount of collateral needed
Collateral Projection Update Annually		Greater accuracy prevents surprises

\*Underperformance of the policy could effect the collateral, death benefit, and loan repayment

# Next Steps

Here are the suggested next steps:

1. Work with your agent to obtain a medical offer from one or more insurance carriers
2. Gather and provide the financial information requested for the lender to provide an initial term sheet
3. Work with your financial advisor to set up an insurance trust, LLC, or FLP

NIW will work with your agent and/or advisors to answer any questions they may have. Once you have reviewed the lending offers and final insurance illustration, NIW will coordinate the final loan closing and funding of your policy.

## Disclosure

This proposal is hypothetical and may not be used to project or predict insurance performance results in the future. These are projections, future policy performance, and interest rates are not guaranteed and are subject to change by the insurance carrier and/or lender. Underperformance could result in a lower death benefit, cash surrender value, annual income and/or additional collateral. NIW nor any of its affiliates represent the lenders. This document is not intended to give legal or tax advice. For tax and legal advice contact your personal tax and legal advisors. Illustrated projected bank loan payoff and income stream from policy loan and withdrawals will vary based on actual policy & loan performance. Financing life insurance premiums has risks including interest rate fluctuations, financial market performance, credit availability, insurance company ratings and stability which can affect the loan.

**Client Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

# Why NIW?

In 2000, NIW reviewed the market and liked the idea of financed insurance but did not like the implementation. We took the concerns and fears of clients' advisors and built our program to address those concerns. Our program offers more client advantages while simultaneously mitigating the risks. NIW has facilitated over \$4Billion in loans with the highest persistency rate and lowest failure rate in the industry.



# NIW

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