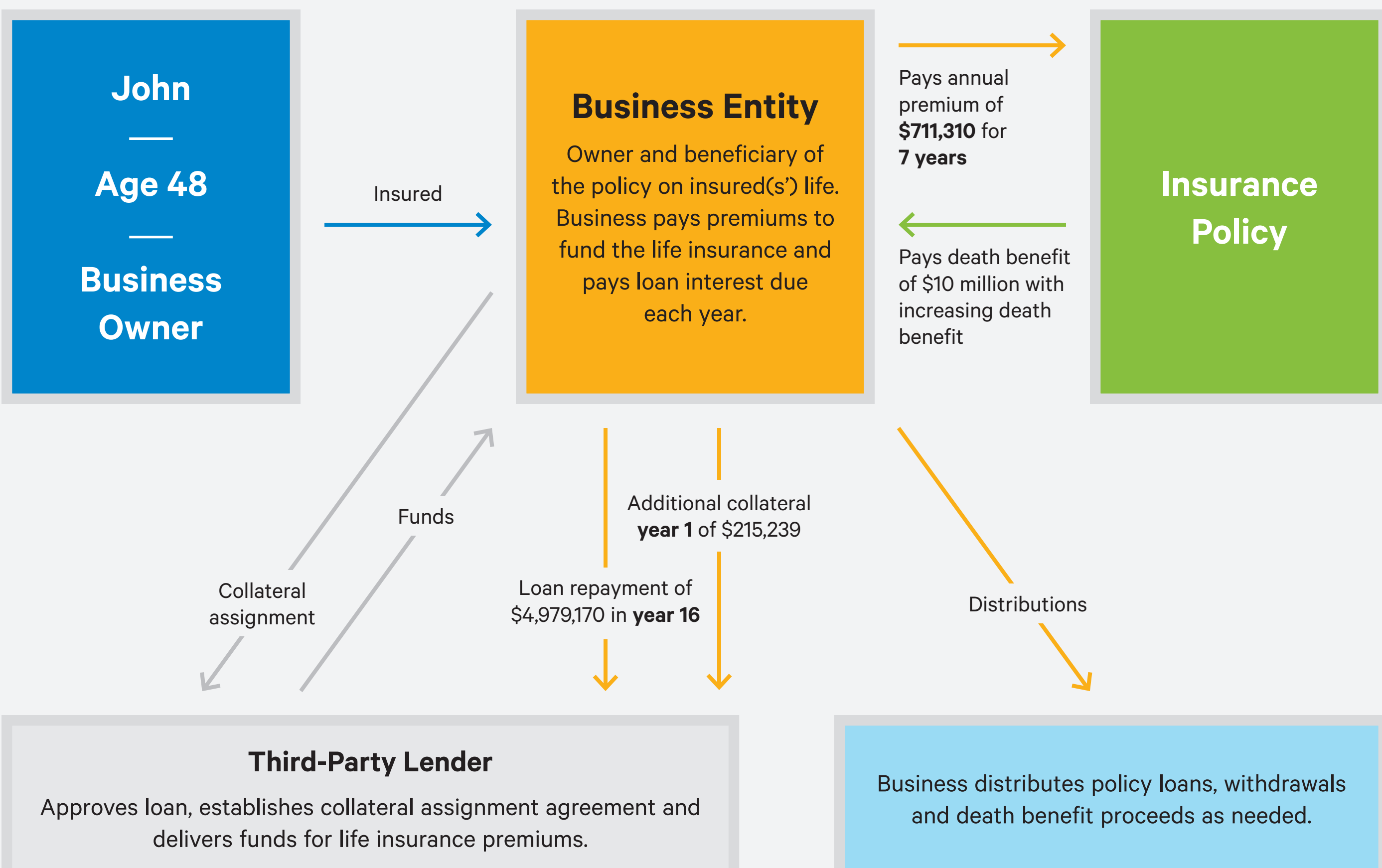
Premium Financing

Navigating a life insurance funding strategy

To obtain the level of life insurance they need, many individuals, couples and businesses may have to liquidate some of their assets to cover the premiums. You can help reduce the impact of life insurance premiums on your client's assets with a third-party premium financing arrangement.

The premium financing strategy

"John," a successful, 48-year-old business owner, recently established a business succession plan requiring $10 million in life insurance. With the business in a growth stage, John is re-investing most of the cash flow and does not wish to liquidate or sell any business assets at this time. The business enters into an acceptable third-party loan arrangement to borrow $711,310 each year to fund the annual premium due for 7 years. Assuming an initial loan rate of 7.55%, the loan interest due year 1 is $53,704. The rate will then vary from year to year generally based on the Secured Overnight Financing Rate (SOFR) plus a spread for the term of the loan.[1] The business assigns the life insurance policy's cash value and death benefit as collateral, and will assign additional assets as collateral if necessary. In this hypothetical example, additional assets of $215,239 are assigned in year 1. The business plans to repay the outstanding loan of $4,979,170 using policy values by year 16. However, if conditions or plans should change, the loan can be repaid earlier from the business' retained capital or a combination of policy values and retained capital.



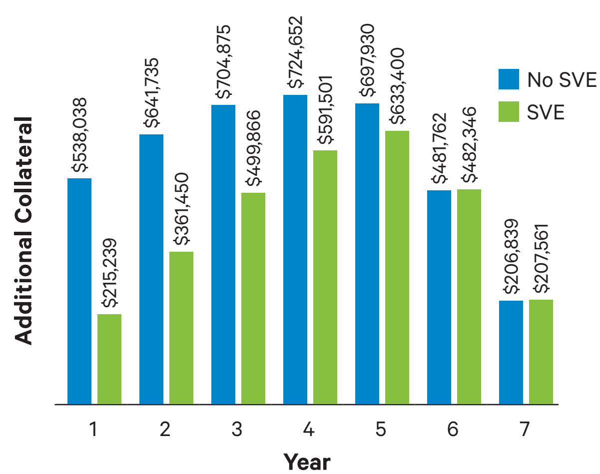
Loan repayment using policy values

		Third-Party Loan Information						Borrower Information						
Year	Age	Annual Insurance Premium	Annual Loan Amount	Annual Loan Interest Rate	Annual Loan Interest Due	Loan Repayment	Cumulative Loan Amount	Life Insurance Cash Surrender Value	Additional Collateral Required CSV @ 90%	Annual Net Outlay	Cumulative Annual Net Outley	Life Insurance Death Benefit	Death Benefit Net of Loan	IRR at Death
1	48	$711,310	$711,310	7.55%	$53,704	$0	$711,310	$551,190	$215,239	$53,704	$53,704	$10,591,090	$9,879,780	18296.76%
2	49	$711,310	$711,310	7.65%	$108,830	$0	$1,422,620	$1,179,078	$361,450	$108,830	$162,534	$11,257,078	$9,834,458	1155.70%
3	50	$711,310	$711,310	7.75%	$165,380	$0	$2,133,930	$1,815,627	$499,866	$165,380	$327,914	$11,967,927	$9,833,997	391.81%
4	51	$711,310	$711,310	7.85%	$223,351	$0	$2,845,240	$2,504,155	$591,501	$223,351	$551,265	$12,726,955	$9,881,715	204.29%
5	52	$711,310	$711,310	7.95%	$282,746	$0	$3,556,550	$3,247,945	$633,400	$282,746	$834,011	$13,537,645	$9,981,095	127.79%
6	53	$711,310	$711,310	8.05%	$343,563	$0	$4,267,860	$4,206,127	$482,346	$343,563	$1,177,574	$14,495,727	$10,227,867	88.47%
7	54	$711,310	$711,310	8.15%	$405,802	$0	$4,979,170	$5,301,788	$207,561	$405,802	$1,583,376	$15,518,988	$10,539,818	65.01%
8	55	$0	$0	8.25%	$410,782	$0	$4,979,170	$5,744,976	$0	$410,782	$1,994,158	$15,518,988	$10,539,818	48.91%
9	56	$0	$0	8.35%	$415,761	$0	$4,979,170	$6,212,633	$0	$415,761	$2,409,918	$15,518,988	$10,539,818	37.83%
10	57	$0	$0	8.45%	$420,740	$0	$4,979,170	$6,706,191	$0	$420,740	$2,830,658	$15,518,988	$10,539,818	29.88%
11	58	$0	$0	8.55%	$425,719	$0	$4,979,170	$7,155,170	$0	$425,719	$3,256,377	$15,518,988	$10,539,818	23.97%
12	59	$0	$0	8.55%	$425,719	$0	$4,979,170	$7,634,051	$0	$425,719	$3,682,096	$15,518,988	$10,539,818	19.47%
13	60	$0	$0	8.55%	$425,719	$0	$4,979,170	$8,145,110	$0	$425,719	$4,107,815	$15,518,988	$10,539,818	15.96%
14	61	$0	$0	8.55%	$425,719	$0	$4,979,170	$8,690,628	$0	$425,719	$4,533,534	$15,518,988	$10,539,818	13.18%
15	62	$0	$0	8.55%	$425,719	$0	$4,979,170	$9,273,116	$0	$425,719	$4,959,253	$15,518,988	$10,539,818	10.93%
16	63	-$4,979,170	$0	8.55%	$0	$4,979,170	$0	$4,569,254	$0	$0	$4,959,253	$10,539,818	$10,539,818	9.65%
35	82	$0	$0	8.55%	$0	$0	$0	$15,456,658	$0	$0	$4,959,253	$16,229,491	$16,229,491	4.51%
40	87	$0	$0	8.55%	$0	$0	$0	$21,398,945	$0	$0	$4,959,253	$22,468,893	$22,468,893	4.85%
45	92	$0	$0	8.55%	$0	$0	$0	$29,427,379	$0	$0	$4,959,253	$30,310,200	$30,310,200	5.03%
50	97	$0	$0	8.55%	$0	$0	$0	$38,274,153	$0	$0	$4,959,253	$41,277,016	$41,277,016	5.19%
53	100	$0	$0	8.55%	$0	$0	$0	$46,559,712	$0	$0	$4,959,253	$50,169,467	$50,169,467	5.29%
TTL		$0	$4,979,170		$0	$4,979,170				$4,959,253				

Initial life insurance crediting rate: 5.97%

Surrender Value Enhancement (SVE) Rider may help reduce additional collateral requirements[4]

The optional SVE Rider reduces the policy's surrender charges in the early years and may provide design flexibility for larger cases when early cash surrender value is desired.



Additional collateral required each year assumes the lender accepts 90% of the policy cash surrender value each year.

Discover how Symetra Accumulator Ascent IUL could potentially help your clients leave more to their beneficiaries. Contact us for a custom illustration.

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In most states, the Surrender Value Enhancement Rider policy form number is ICC17_LE4. The rider is not available in all states, and terms and conditions may vary by state in which it is available.

This is a very general overview of Third-Party Premium Financing which is provided for informational purposes only. This document is not intended as legal or tax advice. The tax information was written to support the promotion or marketing of the transaction(s) or matter(s) addressed, and clients should seek advice based on their particular circumstances from an independent tax professional.

Guarantees and benefits are subject to the claims-paying ability of Symetra Life Insurance Company.

Market conditions may affect loan interest rates and could make the strategy less attractive. Clients should have a planned strategy to repay the debt in the future. Loan interest to purchase or carry life insurance is generally not tax-deductible.

The applications for insurance and for premium financing are two separate transactions. There is no relationship between the insurance company and the financing company, and neither is obligated to offer either insurance coverage or a loan arrangement based on the decision of the other.

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Election of a Putnam Index Strategy does not guarantee a greater index credit for any other index segment term.

There are other index strategies available within Symetra Accumulator Ascent IUL.

This is not a complete description of the Symetra Accumulator Ascent IUL product. For a more complete description, please refer to the policy.

[1] The initial loan rate of 7.55% assumes a 12 month SOFR rate of 5.30% plus 2.25%. The loan rate will vary from year to year based on the 12 month SOFR rate and the terms of the lender promissory note.

[2] Assumes Symetra Accumulator Ascent IUL funded with annual premiums of $711,310 for 7 years, initial crediting rate of 5.97%, using the Putnam Dynamic Low Volatility Excess Return Index with Bonus 1-Year Point-to-Point Index Strategy, current cost of policy charges and death benefit Option B (increasing) and switching to Option A (level) in year 8. Policy distributions are withdrawals switching to loans in year 16.

[3] The additional collateral assumes the lender will accept 90% of the life insurance policy’s cash surrender value at year end. First year loan of $711,310 less ($551,190 x 90%) = $215,239. The policy must be 100% collateralized at all times and collateral requirements will vary from year to year based on the policy’s cash surrender value.

[4] The Surrender Value Enhancement rider is an optional rider that reduces the policy’s surrender charges in the early years. Available at issue for an additional cost, the rider provides a reduced surrender charge schedule for the first five policy years. A one-time non-refundable rider charge of $500 is deducted with the first monthly deduction.

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