



VÉRITÉ

TRUTH AND TRANSPARENCY



# CASE STUDY

MR. ATTORNEY



TRUTH AND TRANSPARENCY

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## SITUATION

Mr. Attorney is a sole practitioner. He is age 53, planning on retiring at age 65. He has no partners but several staff. He feels his staff is paid well and rejects the notion of providing them with significant retirement benefits other than a standard 401(k). He has reviewed several retirement options and has rejected most, primarily because his staff would have to be included.

He met a new advisor around this time and the advisor suggested using life insurance as a funding vehicle and with the tax free nature of distributions, creditor protection, and coupled with no need to cover staff, he immediately liked the idea. The client was willing to commit \$60,000 annually (for 16 years) to fund such a plan. The advisor heard Michael speak at an industry meeting and called to see how we might use premium finance to enhance the benefits. Our design team went to work and created the following:

Projected Loans, Out-of-Pocket Payments and Cash Flow							Cash Value & Collateral (at 90% Advance Rate)				Death Benefit (Initial Face Amount: 5,000,000)			
(1) Year	(2) Annual Insurance Outlay	(3) Premium Deposit Fund	(4) Annual Loan Amount	(5) Loan Interest Rate	(6) Loan Interest	(7) Other Expenses	(8) Annual Net Outlay (Out-of-Pocket)	(9) Total Loan (Collateral Required)	(10) Loan-to-Value (LTV)	(11) Cash Surrender Value	(12) Net Collateral via Policy	(13) Death Benefit	(14) Death Benefit Net of Loan	(15) IRR at Death
1	355,004	0	355,004	3.16%	11,218	0	60,000	306,222	142.0%	215,703	-112,089	5,326,503	5,020,281	8267.1%
2	355,004	0	355,004	3.48%	23,011	0	60,000	624,237	110.5%	564,880	-115,845	5,673,230	5,048,993	768.7%
3	355,004	0	355,004	3.81%	37,309	0	60,000	956,550	102.3%	935,059	-114,997	6,040,934	5,084,384	301.3%
4	355,004	0	355,004	4.13%	54,167	0	60,000	1,305,721	98.3%	1,327,968	-110,550	6,431,393	5,125,672	172.4%
5	355,004	0	355,004	4.46%	74,068	0	60,000	1,674,793	95.9%	1,745,781	-103,590	6,846,706	5,171,913	116.3%
6	355,004	0	355,004	4.78%	97,024	0	60,000	2,066,822	94.3%	2,190,660	-95,228	7,289,085	5,222,263	85.8%
7	355,004	0	355,004	5.11%	123,755	0	60,000	2,485,581	92.7%	2,682,199	-71,602	7,760,949	5,275,368	67.0%
8	355,004	0	355,004	5.43%	154,244	0	60,000	2,934,829	91.6%	3,205,372	-49,994	8,264,422	5,329,593	54.4%
9	0	0	0	5.43%	159,361	0	60,000	3,034,190	88.4%	3,432,534	61,212	5,000,000	1,965,810	25.3%
10	0	0	0	5.43%	164,757	0	60,000	3,138,946	85.4%	3,674,474	186,756	5,000,000	1,861,054	19.9%
11	0	0	0	5.43%	170,445	0	60,000	3,249,391	81.7%	3,978,342	367,908	5,012,711	1,763,320	15.8%
12	0	0	0	5.43%	176,442	0	60,000	3,365,833	78.5%	4,287,120	547,306	5,316,028	1,950,195	14.6%
13	0	0	0	5.43%	182,765	0	60,000	3,488,598	75.5%	4,620,244	744,024	5,636,698	2,148,100	13.7%
14	0	0	0	5.43%	189,431	0	60,000	3,618,029	72.7%	4,979,152	959,120	5,974,982	2,356,953	13.0%
15	0	0	0	5.43%	196,459	0	60,000	3,754,488	70.0%	5,365,004	1,193,351	6,384,355	2,629,867	12.5%
16	0	0	0	5.43%	203,869	0	60,000	3,898,356	67.4%	5,779,647	1,448,140	6,819,983	2,921,627	12.2%
17	-3,898,356	0	-3,898,356	5.43%	0	0	0	0	0.0%	2,084,853	2,084,853	3,135,135	3,135,135	11.8%
18	-289,730	0	0	5.43%	0	0	-289,730	0	0.0%	1,998,514	1,998,514	3,054,620	3,054,620	11.4%
19	-289,730	0	0	5.43%	0	0	-289,730	0	0.0%	1,912,364	1,912,364	2,969,691	2,969,691	11.2%
20	-289,730	0	0	5.43%	0	0	-289,730	0	0.0%	1,828,821	1,828,821	2,807,246	2,807,246	10.8%
21	-289,730	0	0	5.43%	0	0	-289,730	0	0.0%	1,749,320	1,749,320	2,633,273	2,633,273	10.6%
22	-289,730	0	0	5.43%	0	0	-289,730	0	0.0%	1,675,577	1,675,577	2,447,843	2,447,843	10.3%
23	-289,730	0	0	5.43%	0	0	-289,730	0	0.0%	1,609,744	1,609,744	2,251,251	2,251,251	10.1%
24	-289,730	0	0	5.43%	0	0	-289,730	0	0.0%	1,554,394	1,554,394	2,043,942	2,043,942	10.0%
25	-289,730	0	0	5.43%	0	0	-289,730	0	0.0%	1,504,688	1,504,688	2,027,554	2,027,554	10.1%
26	-289,730	0	0	5.43%	0	0	-289,730	0	0.0%	1,460,797	1,460,797	2,019,061	2,019,061	10.2%
27	-289,730	0	0	5.43%	0	0	-289,730	0	0.0%	1,423,102	1,423,102	2,018,952	2,018,952	10.3%
28	-289,730	0	0	5.43%	0	0	-289,730	0	0.0%	1,392,167	1,392,167	2,027,916	2,027,916	10.4%
29	-289,730	0	0	5.43%	0	0	-289,730	0	0.0%	1,368,467	1,368,467	2,046,550	2,046,550	10.5%
30	-289,730	0	0	5.43%	0	0	-289,730	0	0.0%	1,352,533	1,352,533	2,075,512	2,075,512	10.6%
31	-289,730	0	0	5.43%	0	0	-289,730	0	0.0%	1,344,098	1,344,098	2,114,635	2,114,635	10.7%
32	-289,730	0	0	5.43%	0	0	-289,730	0	0.0%	1,343,689	1,343,689	2,164,582	2,164,582	10.7%
33	-289,730	0	0	5.43%	0	0	-289,730	0	0.0%	1,350,998	1,350,998	2,225,153	2,225,153	10.8%
34	-289,730	0	0	5.43%	0	0	-289,730	0	0.0%	1,365,275	1,365,275	2,295,685	2,295,685	10.8%
35	-289,730	0	0	5.43%	0	0	-289,730	0	0.0%	1,385,406	1,385,406	2,375,141	2,375,141	10.9%
36	-289,730	0	0	5.43%	0	0	-289,730	0	0.0%	1,409,724	1,409,724	2,461,908	2,461,908	10.9%
37	-289,730	0	0	5.43%	0	0	-289,730	0	0.0%	1,436,515	1,436,515	2,554,335	2,554,335	11.0%
38	0	0	0	5.43%	0	0	0	0	0.0%	1,770,558	1,770,558	2,957,380	2,957,380	11.0%
39	0	0	0	5.43%	0	0	0	0	0.0%	2,108,331	2,108,331	3,366,956	3,366,956	11.0%
40	0	0	0	5.43%	0	0	0	0	0.0%	2,498,124	2,498,124	3,566,744	3,566,744	11.0%
41	0	0	0	5.43%	0	0	0	0	0.0%	2,960,957	2,960,957	3,812,633	3,812,633	11.0%
42	0	0	0	5.43%	0	0	0	0	0.0%	3,522,469	3,522,469	4,126,912	4,126,912	10.9%
43	0	0	0	5.43%	0	0	0	0	0.0%	4,213,892	4,213,892	4,536,378	4,536,378	10.9%
44	0	0	0	5.43%	0	0	0	0	0.0%	5,072,466	5,072,466	5,072,466	5,072,466	10.9%
45	0	0	0	5.43%	0	0	0	0	0.0%	6,026,797	6,026,797	6,026,797	6,026,797	11.0%
46	0	0	0	5.43%	0	0	0	0	0.0%	7,085,982	7,085,982	7,085,982	7,085,982	11.0%
47	0	0	0	5.43%	0	0	0	0	0.0%	8,259,922	8,259,922	8,259,922	8,259,922	11.0%
48	0	0	0	5.43%	0	0	0	0	0.0%	9,559,392	9,559,392	9,559,392	9,559,392	11.1%
49	0	0	0	5.43%	0	0	0	0	0.0%	10,996,120	10,996,120	10,996,120	10,996,120	11.1%
50	0	0	0	5.43%	0	0	0	0	0.0%	12,582,861	12,582,861	12,582,861	12,582,861	11.1%

## HIS OPTIONS ▾

The client has two choices:

- ① Pay \$60,000 for 16 years outright, or ② Pay \$60,000 for 16 years via a Premium Financed transaction.

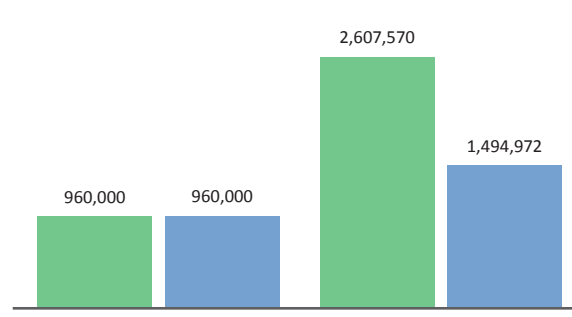
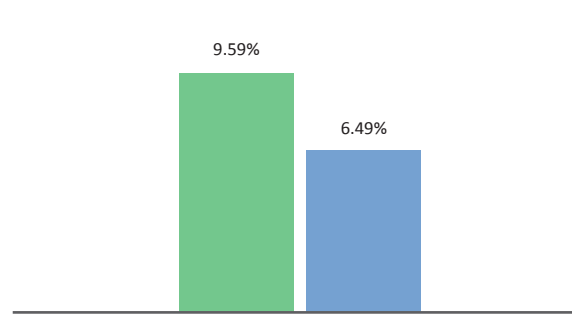
## RECOMMENDATION ▾

Through a financed policy (Initially ran at the 7.09% AG49 rate) and found that the client can increase annual distributions by ~74% from \$139,254/yr to \$205,716/yr for 20 years, all utilizing fixed loans.

Total lifetime withdrawals:

	Annual Income	Net Lifetime Income
Non-Financed Funding	\$166,108	\$3,322,160
Financed Funding	\$289,730	\$5,794,600
Net Increase From Financing	<b>\$123,622</b>	<b>\$2,472,440</b>

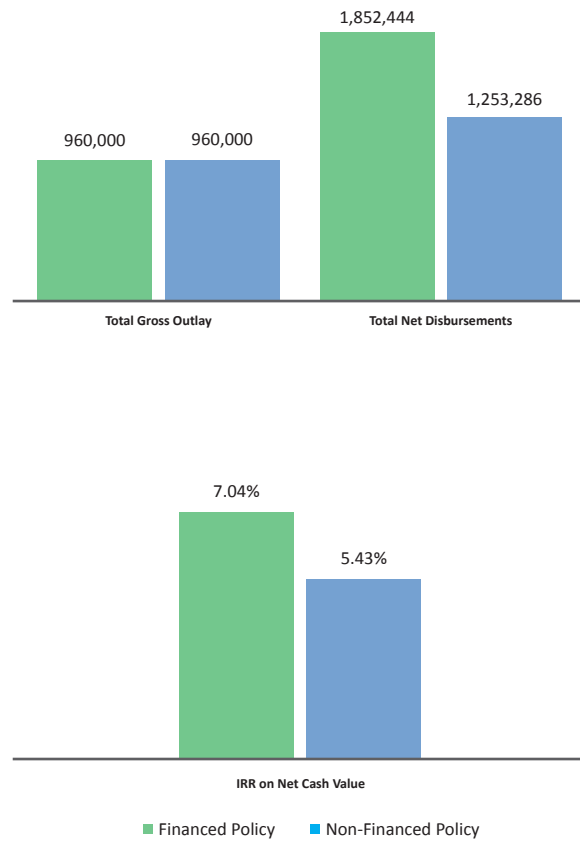
### Net Death Benefit Comparison Analysis

Insured Name: Mr. Attorney					Financed Life Insurance Carrier: Allianz Life vs Non-Financed						
Insured Age: 53					Financed Life Insurance Policy: LifePro+ (Fixed Loans) - 50% Term						
Insured Gender/Class: Male/Preferred Smoker					Financed Policy Illustrated Rate: 7.09% (AG49: 7.09%) Indexed Loan Option						
					Assumed Lending Rate Structure: 12 Month LIBOR + 185 bps Spread						
Financed Policy					Non-Financed Policy				Summary at Highlighted Year 26 (Age 79)		
(1) Year	(2) Annual Net Outlay	(3) Total Net Outlay	(4) Death Benefit Net of Loan	(5) IRR at Death	(6) Annual Net Outlay	(7) Total Net Outlay	(8) Net Death Benefit	(9) IRR at Death			
									Financed Policy	Non-Financed Policy	
1	60,000	60,000	-112,089	N/A	60,000	60,000	23,077	-61.54%	Total Gross Outlay	960,000	960,000
2	60,000	120,000	-115,845	N/A	60,000	120,000	78,484	-25.18%	Total Net Disbursements	2,607,570	1,494,972
3	60,000	180,000	-114,997	N/A	60,000	180,000	136,802	-13.11%	Net Cash Value	1,460,797	1,128,645
4	60,000	240,000	-110,550	N/A	60,000	240,000	198,299	-7.49%	IRR on Net Cash Value	9.59%	6.49%
5	60,000	300,000	-103,590	N/A	60,000	300,000	263,347	-4.31%			
6	60,000	360,000	-95,228	N/A	60,000	360,000	332,301	-2.28%			
7	60,000	420,000	-71,602	N/A	60,000	420,000	410,036	-0.60%			
8	60,000	480,000	-49,994	N/A	60,000	480,000	492,407	0.57%			
9	60,000	540,000	61,212	N/A	60,000	540,000	584,454	1.58%			
10	60,000	600,000	186,756	N/A	60,000	600,000	682,644	2.33%			
11	60,000	660,000	367,908	-10.13%	60,000	660,000	797,641	3.13%			
12	60,000	720,000	547,306	-4.30%	60,000	720,000	916,919	3.67%			
13	60,000	780,000	744,024	-0.68%	60,000	780,000	1,046,778	4.12%			
14	60,000	840,000	959,120	1.75%	60,000	840,000	1,188,481	4.52%			
15	60,000	900,000	1,193,351	3.45%	60,000	900,000	1,340,896	4.84%			
16	60,000	960,000	1,448,140	4.68%	60,000	960,000	1,504,754	5.11%			
17	0	960,000	2,084,853	7.83%	0	960,000	1,620,317	5.35%			
18	-289,730	670,270	1,998,514	8.08%	-166,108	793,892	1,568,275	5.54%			
19	-289,730	380,540	1,912,364	8.30%	-166,108	627,784	1,514,751	5.70%			
20	-289,730	90,810	1,828,821	8.50%	-166,108	461,676	1,460,352	5.84%			
21	-289,730	-198,920	1,749,320	8.70%	-166,108	295,568	1,405,401	5.97%			
22	-289,730	-488,650	1,675,577	8.89%	-166,108	129,460	1,350,094	6.08%			
23	-289,730	-778,380	1,609,744	9.07%	-166,108	-36,648	1,294,889	6.19%			
24	-289,730	-1,068,110	1,554,394	9.26%	-166,108	-202,756	1,240,408	6.30%			
25	-289,730	-1,357,840	1,504,688	9.43%	-166,108	-368,864	1,185,040	6.40%			
26	-289,730	-1,647,570	1,460,797	9.59%	-166,108	-534,972	1,128,645	6.49%			
27	-289,730	-1,937,300	1,423,102	9.73%	-166,108	-701,080	1,071,146	6.58%			
28	-289,730	-2,227,030	1,392,167	9.87%	-166,108	-867,188	1,012,494	6.66%			
29	-289,730	-2,516,760	1,368,467	9.99%	-166,108	-1,033,296	952,599	6.73%			
30	-289,730	-2,806,490	1,352,533	10.11%	-166,108	-1,199,404	891,367	6.80%			
31	-289,730	-3,096,220	1,344,098	10.22%	-166,108	-1,365,512	828,489	6.87%			
32	-289,730	-3,385,950	1,343,689	10.31%	-166,108	-1,531,620	763,850	6.94%			
33	-289,730	-3,675,680	1,350,998	10.40%	-166,108	-1,697,728	697,068	7.00%			
34	-289,730	-3,965,410	1,365,275	10.48%	-166,108	-1,863,836	627,609	7.06%			
35	-289,730	-4,255,140	1,385,406	10.55%	-166,108	-2,029,944	554,815	7.11%			
36	-289,730	-4,544,870	1,409,724	10.61%	-166,108	-2,196,052	477,846	7.16%			
37	-289,730	-4,834,600	1,436,515	10.67%	-166,108	-2,362,160	395,841	7.20%			
38	0	-4,834,600	1,770,558	10.71%	0	-2,362,160	484,061	7.24%			
39	0	-4,834,600	2,108,331	10.75%	0	-2,362,160	573,203	7.28%			
40	0	-4,834,600	2,498,124	10.78%	0	-2,362,160	677,281	7.31%			
41	0	-4,834,600	2,960,957	10.81%	0	-2,362,160	802,058	7.35%			
42	0	-4,834,600	3,522,469	10.85%	0	-2,362,160	954,550	7.39%			
43	0	-4,834,600	4,213,892	10.89%	0	-2,362,160	1,143,283	7.44%			
44	0	-4,834,600	5,072,466	10.94%	0	-2,362,160	1,378,404	7.50%			
45	0	-4,834,600	6,026,797	10.98%	0	-2,362,160	1,639,797	7.55%			
46	0	-4,834,600	7,085,982	11.01%	0	-2,362,160	1,929,956	7.61%			
47	0	-4,834,600	8,259,922	11.05%	0	-2,362,160	2,251,602	7.65%			
48	0	-4,834,600	9,559,392	11.07%	0	-2,362,160	2,607,692	7.70%			
49	0	-4,834,600	10,996,120	11.10%	0	-2,362,160	3,001,446	7.74%			
50	0	-4,834,600	12,582,861	11.12%	0	-2,362,160	3,436,366	7.78%			

Next, we discussed how best to illustrate and stress-test the design. We reran the design, assuming the returns in the policy were at the historic 100th percentile (6.5%) of S&P 500 returns without dividends relative to current cap and floor rates. This is the return achieved 100% of the time for any 25 year rolling period over the past 40 years. We further reduced this return by minus 40bps to 6.10% average returns over the contract life. The results were still impressive, providing income of \$205,716 (financed) vs. \$139,254 (non-financed), and still utilized fixed loans.

	Annual Income	Net Lifetime Income
Non-Financed Funding	\$139,254	\$2,785,080
Financed Funding	\$205,716	\$4,114,320
<b>Net Increase From Financing</b>	<b>\$66,462</b>	<b>\$1,329,240</b>

Financed Policy					Non-Financed Policy				Summary at Highlighted Year 26 (Age 79)		
(1) Year	(2) Annual Net Outlay	(3) Total Net Outlay	(4) Cash Value Net of Loan	(5) IRR on Net Cash Value	(6) Annual Net Outlay	(7) Total Net Outlay	(8) Net Cash Value	(9) IRR on Net Cash Value			
1	60,000	60,000	-114,919	N/A	60,000	60,000	22,563	-62.40%			Total Gross Outlay
2	60,000	120,000	-124,573	N/A	60,000	120,000	76,915	-26.23%			Total Net Disbursements
3	60,000	180,000	-133,055	N/A	60,000	180,000	133,576	-14.19%			Net Cash Value
4	60,000	240,000	-141,769	N/A	60,000	240,000	192,748	-8.58%			IRR on Net Cash Value
5	60,000	300,000	-152,238	N/A	60,000	300,000	254,731	-5.40%			
6	60,000	360,000	-166,058	N/A	60,000	360,000	319,800	-3.37%			
7	60,000	420,000	-169,899	N/A	60,000	420,000	392,739	-1.68%			
8	60,000	480,000	-181,630	N/A	60,000	480,000	469,305	-0.50%			
9	60,000	540,000	-114,682	N/A	60,000	540,000	554,190	0.52%			
10	60,000	600,000	-44,526	N/A	60,000	600,000	643,835	1.28%			
11	60,000	660,000	72,854	N/A	60,000	660,000	747,687	2.07%			
12	60,000	720,000	185,131	N/A	60,000	720,000	853,633	2.59%			
13	60,000	780,000	308,421	-14.46%	60,000	780,000	967,618	3.04%			
14	60,000	840,000	444,759	-9.00%	60,000	840,000	1,090,925	3.42%			
15	60,000	900,000	591,210	-5.46%	60,000	900,000	1,223,499	3.75%			
16	60,000	960,000	748,346	-3.00%	60,000	960,000	1,364,591	4.02%			
17	0	960,000	1,319,467	3.28%	0	960,000	1,454,742	4.27%			
18	-205,716	754,284	1,252,831	3.96%	-139,254	820,746	1,404,317	4.47%			
19	-205,716	548,568	1,187,705	4.51%	-139,254	681,492	1,352,590	4.63%			
20	-205,716	342,852	1,126,270	4.98%	-139,254	542,238	1,300,100	4.77%			
21	-205,716	137,136	1,069,829	5.40%	-139,254	402,984	1,247,125	4.90%			
22	-205,716	-68,580	1,019,915	5.78%	-139,254	263,730	1,194,002	5.02%			
23	-205,716	-274,296	978,421	6.13%	-139,254	124,476	1,141,170	5.13%			
24	-205,716	-480,012	947,580	6.46%	-139,254	-14,778	1,089,166	5.24%			
25	-205,716	-685,728	923,234	6.76%	-139,254	-154,032	1,036,616	5.34%			
26	-205,716	-891,444	905,583	7.04%	-139,254	-293,286	983,430	5.43%			
27	-205,716	-1,097,160	895,017	7.29%	-139,254	-432,540	929,577	5.52%			
28	-205,716	-1,302,876	892,082	7.51%	-139,254	-571,794	875,052	5.61%			
29	-205,716	-1,508,592	897,246	7.72%	-139,254	-711,048	819,821	5.69%			
30	-205,716	-1,714,308	911,024	7.91%	-139,254	-850,302	763,851	5.77%			
31	-205,716	-1,920,024	933,249	8.08%	-139,254	-989,556	706,931	5.84%			
32	-205,716	-2,125,740	964,437	8.23%	-139,254	-1,128,810	649,022	5.91%			
33	-205,716	-2,331,456	1,004,393	8.37%	-139,254	-1,268,064	589,865	5.98%			
34	-205,716	-2,537,172	1,052,547	8.50%	-139,254	-1,407,318	529,084	6.04%			
35	-205,716	-2,742,888	1,108,034	8.61%	-139,254	-1,546,572	466,207	6.10%			
36	-205,716	-2,948,604	1,169,548	8.71%	-139,254	-1,685,826	400,624	6.16%			
37	-205,716	-3,154,320	1,235,711	8.79%	-139,254	-1,825,080	331,718	6.21%			
38	0	-3,154,320	1,520,159	8.86%	0	-1,825,080	404,875	6.25%			
39	0	-3,154,320	1,805,089	8.92%	0	-1,825,080	478,109	6.29%			
40	0	-3,154,320	2,131,634	8.97%	0	-1,825,080	563,054	6.33%			
41	0	-3,154,320	2,517,104	9.03%	0	-1,825,080	664,332	6.38%			
42	0	-3,154,320	2,982,490	9.09%	0	-1,825,080	787,529	6.43%			
43	0	-3,154,320	3,535,214	9.16%	0	-1,825,080	939,403	6.49%			
44	0	-3,154,320	4,259,379	9.23%	0	-1,825,080	1,127,939	6.56%			
45	0	-3,154,320	5,037,933	9.30%	0	-1,825,080	1,335,837	6.62%			
46	0	-3,154,320	5,895,094	9.36%	0	-1,825,080	1,564,763	6.68%			
47	0	-3,154,320	6,837,578	9.41%	0	-1,825,080	1,816,513	6.73%			
48	0	-3,154,320	7,872,629	9.46%	0	-1,825,080	2,093,027	6.79%			
49	0	-3,154,320	9,008,063	9.50%	0	-1,825,080	2,396,398	6.84%			
50	0	-3,154,320	10,252,310	9.54%	0	-1,825,080	2,728,882	6.89%			



## RESULT

We established the plan and Mr. Attorney liked it so much he voluntarily referred us to his accountant and several associates.