



## PRIVATE PLACEMENT LIFE INSURANCE

Taxes on portfolio income, private equity, income producing real estate, etc., can be either deferred or permanently avoided by investing through a personalized Private Placement Life Insurance policy.

Private Placement platforms allow the buyer to recommend investment advisors to manage the money inside their personalized insurance policies. Managers can invest in a wide range of vehicles including equities, fixed income, real estate, hedge funds, loans, mortgages and even some private businesses.

To derive these tax benefits, the arrangement must qualify as life insurance under the Internal Revenue Code. The insurance component, which is essentially annual term insurance, is issued by a licensed insurance company and memorialized in an issued contract (policy).

Upfront costs are generally negotiable with Sponsors, and Financial and Legal Advisors. Ongoing expenses include the costs for the insurance component and other administrative charges. As a rule of thumb, insurance and other costs are approximately 1% - 2% of the investment account annually.

Putting aside the need or desire for life insurance, a cost benefit analysis would measure the insurance costs against the tax savings. Thus, an investment earning 9% a year, with no income taxes and insurance costs of 1.5% generates the following result:

### PRIVATE INSURANCE POLICY (9% ROR)

Year	Account Value	Net Insurance Amount	Cumulative Insurance Costs	Paid to Heirs At Death
1	5,375,000	20,000,000	(75,000)	25,000,000
5	7,143,207	18,322,654	(463,054)	25,000,000
10	10,254,997	15,413,807	(1,136,016)	25,000,000
15	14,722,375	11,237,780	(2,102,740)	25,000,000
20	21,135,874	5,242,553	(3,247,851)	25,000,000
25	30,343,280	1,000,000	(5,480,347)	31,343,280

## INVESTING TAXABLY (9% R.O.R. & 40% Tax Rate)

Year	Account Value	Cumulative Taxes Paid	Paid to Heirs At Death	Private Insurance Advantage
1	5,270,000	(180,000)	5,270,000	+105,000
5	6,596,430	(1,055,122)	6,596,430	+546,777
10	8,699,370	(2,461,643)	8,699,370	+1,555,627
15	11,434,829	(4,312,614)	11,434,829	+3,287,547
20	14,993,051	(6,741,713)	14,993,051	+6,142,822
25	19,621,508	(9,922,830)	19,621,508	+10,721,772

### OTHER FEATURES

- a. No Broker Commissions Allows 100% of Funds to be Invested
- b. Original Investment (Cost Basis) Can be Withdrawn Tax-Free
- c. Profits Can Be Borrowed Out of Policy Tax-Free
- d. Interest Paid Back is the Equivalent of Paying Yourself
- e. Policies Held to Death Pass Proceeds to Beneficiary(s) Income Tax-Free
- f. Insurance Policies Provide Protection Against Creditors

Given the limited tools available for tax planning, a Private Variable Life Policy offers an option for High Net Worth Individuals to manage income taxes and protect assets.

Please do not hesitate to contact us if you would like more information and or projections using actual rates based on your own individual circumstances.

*The preceding projections are hypothetical and may not reflect actual costs. Insurance rates can vary widely based on age, health, and financial factors. Likewise, investment returns are not intended to be a forecast of potential future results. Additionally, actual tax rates may vary depending upon applicable tax laws. This is not intended to be a comprehensive treatment of the legal requirement for life insurance or tax advice and should not be relied on for either.. Please consult a qualified tax professional.*