

Premium Financing

For: Arthur and Ann Baxter



Presented By: _____

[Licensed user's name appears here]

Preface

Borrower and Policy Owner: Baxter Family Trust

Lender: To be determined

The primary benefit of a life insurance premium financing strategy is to obtain a significant amount of life insurance coverage at a reduced cash flow cost, and virtually any cash value life insurance policy can be funded in this manner. An irrevocable life insurance trust ("ILIT") is typically the policy owner and borrower.

The loan structure, loan interest, fees, collateral requirements, and personal guarantees associated with this technique will be determined by the lender.

Since the policy is typically owned by an ILIT, a secondary benefit of a premium financing strategy is the avoidance, or at least mitigation, of gift taxes. This is because the loan interest associated with premium financing is typically lower than the policy premium particularly during the early years of the arrangement.

A third benefit involves the avoidance of estate taxes on the policy net death benefit retained by the ILIT.

There are several risks associated with premium financing, some of which are outlined below:

Lender risk:

- Is the loan a term loan that is due in fewer years than illustrated? If so, the borrower will likely be subject to new loan conditions.
- If the loan is not a term loan, does the lender have the right to demand full satisfaction of the loan at any time? An unlimited right to demand full satisfaction of the loan provides very little security for the borrower.

Collateral risk:

- The lender may limit the form of acceptable collateral requiring only liquid assets be provided.
- Additional collateral may be required based on a change in the loan requirements of the lender.
- The policy cash values shown on pages that follow are not guaranteed and may be higher or lower than illustrated. Additional collateral may be required if the actual policy cash values turn out to be lower than illustrated.
- A personal guarantee may be required.

Interest rate risk:

- In some premium financing transactions, the loan interest is a variable rate which resets annually.
- If the loan interest is a fixed rate, how long is it fixed? Is this an acceptable condition?

Tax risk:

- Does a personal guarantee interfere with the estate tax free nature of policy death benefit?
- If the loan requires a personal guarantee, will such guarantee be deemed a gift to the ILIT?

Exit strategies:

1. With long-lived insureds, repayment of loans associated with premium financing must be considered, and careful planning should be contemplated in advance to insure a source of funds for this purpose. In some cases, the policy death benefit may be sufficient.
2. Alternatively, a loan to the ILIT from an interested family member may be appropriate. In some cases, the sale of the policy to a third party may provide funds to repay outstanding loans.

Conclusion:

Based on creditworthiness of the borrower, the terms of the lender, and the life insurance company involved, the actual terms of a premium financing arrangement will be different. It is important that the right combination of these three issues be carefully evaluated.

Important note:

In all cases, be sure to consult with your own legal and tax advisers before entering into this or any other arrangement involving tax, legal, and economic considerations. The approval of these advisers must be secured regarding the implementation or modification of any planning technique as well as the applicability and consequences of new cases, rulings, or legislation upon existing or impending plans.

Premium Financing Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Arthur Baxter

Illustration of Policy Values Funding the Plan

Borrower & Policy Owner: Baxter Family Trust

Lender: To be determined

Trust Grantor: Arthur Baxter

		Indexed UL Interest Rate 7.00%	Initial Premium 1,000,000	Initial Policy Death Benefit 26,681,680		
Year	Male Age	(1) Policy Premium	(2) Net Policy Loan Proceeds	(3) Cash Value* Increase	(4) Year End Cash Value*	(5) Year End Death Benefit
1	50	1,000,000	0	792,724	792,724	26,681,680
2	51	1,000,000	0	850,687	1,643,411	26,681,680
3	52	1,000,000	0	911,918	2,555,329	26,681,680
4	53	1,000,000	0	977,701	3,533,030	26,681,680
5	54	1,000,000	0	1,048,389	4,581,419	26,681,680
6	55	1,000,000	0	1,125,362	5,706,781	26,681,680
7	56	1,000,000	0	1,209,639	6,916,420	26,681,680
8	57	0	0	293,059	7,209,479	26,681,680
9	58	0	0	318,703	7,528,182	26,681,680
10	59	0	0	346,735	7,874,917	26,681,680
11	60	0	0	588,450	8,463,367	26,681,680
12	61	0	0	631,826	9,095,193	26,681,680
13	62	0	0	678,147	9,773,340	26,681,680
14	63	0	0	728,272	10,501,612	26,681,680
15	64	0	0	782,758	11,284,370	26,681,680
16	65	0	6,804,730	-6,386,637	4,897,733	19,536,714
17	66	0	0	450,564	5,348,297	19,179,465
18	67	0	0	485,865	5,834,162	18,804,354
19	68	0	0	524,564	6,358,726	18,410,488
20	69	0	0	567,074	6,925,800	17,996,929
21	70	0	0	613,467	7,539,267	17,562,691
22	71	0	0	666,112	8,205,379	17,106,742
23	72	0	0	725,998	8,931,377	16,627,995
24	73	0	0	794,507	9,725,884	16,125,310
25	74	0	0	873,615	10,599,499	15,597,492
26	75	0	0	965,853	11,565,352	15,043,282
27	76	0	0	1,074,294	12,639,646	14,461,363
28	77	0	0	1,201,231	13,840,877	15,174,487
29	78	0	0	1,317,444	15,158,321	16,589,882
30	79	0	0	1,429,364	16,587,685	18,124,396
		7,000,000	6,804,730			

*This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

Premium Financing Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Arthur Baxter

Illustration of Policy Values Funding the Plan

Borrower & Policy Owner: Baxter Family Trust
 Lender: To be determined
 Trust Grantor: Arthur Baxter

		Indexed UL Interest Rate 7.00%	Initial Premium 1,000,000	Initial Policy Death Benefit 26,681,680			
Year	Male Age	(1) Policy Premium	(2) Net Policy Loan Proceeds	(3) Cash Value* Increase	(4) Year End Cash Value*	(5) Year End Death Benefit	
31	80	0	0	1,549,434	18,137,119	19,786,668	
32	81	0	0	1,675,833	19,812,952	21,583,427	
33	82	0	0	1,810,467	21,623,419	23,523,410	
34	83	0	0	1,953,499	23,576,918	25,615,524	
35	84	0	0	2,104,358	25,681,276	27,868,089	
36	85	0	0	2,261,327	27,942,603	30,287,620	
37	86	0	0	2,427,903	30,370,506	32,884,311	
38	87	0	0	2,601,020	32,971,526	35,665,147	
39	88	0	0	2,779,220	35,750,746	38,635,580	
40	89	0	0	2,961,676	38,712,422	41,800,205	
41	90	0	0	3,145,909	41,858,331	45,161,017	
42	91	0	0	3,426,414	45,284,745	48,112,342	
		<hr/> 7,000,000	<hr/> 6,804,730				

*This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

Premium Financing Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Arthur Baxter

Summary

Borrower & Policy Owner: Baxter Family Trust

Lender: To be determined

Trust Grantor: Arthur Baxter

Indexed UL
Interest Rate
7.00%

Initial Policy
Death Benefit
26,681,680

		Gift and Loan Summary						Trust's Values		
Year	Male Age	(1) Policy Premium	(2) Gift to Trust for Premium and Loan Repayment	(3) Balance of Premium Due Borrowed from Bank*	(4) Assumed Bank Loan Interest Rate	(5) Cumulative Loan Due Bank**	(6) Net Policy Loan Proceeds Used to Reduce Loan	(7) Year End Policy Cash Value***	(8) Year End Policy Cash Value*** Net of Bank Loan	(9) Year End Policy Death Benefit Net of Bank Loan
1	50	1,000,000	300,000	700,000	3.00%	721,000	0	792,724	71,724	25,960,680
2	51	1,000,000	300,000	700,000	3.14%	1,465,619	0	1,643,411	177,792	25,216,061
3	52	1,000,000	300,000	700,000	3.29%	2,236,868	0	2,555,329	318,461	24,444,812
4	53	1,000,000	300,000	700,000	3.43%	3,037,603	0	3,533,030	495,427	23,644,077
5	54	1,000,000	300,000	700,000	3.57%	3,871,035	0	4,581,419	710,384	22,810,645
6	55	1,000,000	300,000	700,000	3.71%	4,740,620	0	5,706,781	966,161	21,941,060
7	56	1,000,000	300,000	700,000	3.86%	5,650,628	0	6,916,420	1,265,792	21,031,052
8	57	0	300,000	-300,000	4.00%	5,564,653	0	7,209,479	1,644,826	21,117,027
9	58	0	300,000	-300,000	4.14%	5,482,610	0	7,528,182	2,045,572	21,199,070
10	59	0	300,000	-300,000	4.29%	5,404,944	0	7,874,917	2,469,973	21,276,736
11	60	0	0	0	4.43%	5,644,383	0	8,463,367	2,818,984	21,037,297
12	61	0	0	0	4.57%	5,902,331	0	9,095,193	3,192,862	20,779,349
13	62	0	0	0	4.71%	6,180,331	0	9,773,340	3,593,009	20,501,349
14	63	0	0	0	4.86%	6,480,695	0	10,501,612	4,020,917	20,200,985
15	64	0	0	0	5.00%	6,804,730	0	11,284,370	4,479,640	19,876,950
16	65	0	0	0		0	6,804,730	4,897,733	4,897,733	19,536,714
17	66	0	0	0		0	0	5,348,297	5,348,297	19,179,465
18	67	0	0	0		0	0	5,834,162	5,834,162	18,804,354
19	68	0	0	0		0	0	6,358,726	6,358,726	18,410,488
20	69	0	0	0		0	0	6,925,800	6,925,800	17,996,929
21	70	0	0	0		0	0	7,539,267	7,539,267	17,562,691
22	71	0	0	0		0	0	8,205,379	8,205,379	17,106,742
23	72	0	0	0		0	0	8,931,377	8,931,377	16,627,995
24	73	0	0	0		0	0	9,725,884	9,725,884	16,125,310
25	74	0	0	0		0	0	10,599,499	10,599,499	15,597,492
26	75	0	0	0		0	0	11,565,352	11,565,352	15,043,282
27	76	0	0	0		0	0	12,639,646	12,639,646	14,461,363
28	77	0	0	0		0	0	13,840,877	13,840,877	15,174,487
29	78	0	0	0		0	0	15,158,321	15,158,321	16,589,882
30	79	0	0	0		0	0	16,587,685	16,587,685	18,124,396
		7,000,000	3,000,000	4,000,000			6,804,730			

*Negatives in Column (3) assume bank repayment.

**Includes accrued loan interest. See "Analysis of Bank Loan" on Page 9 for details.

***This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

30 Year Analysis

	Living Values	Death Benefit
Indexed Universal Life	16,587,685	18,124,396
Less Loan Repayment Due:	0	0
Equals Value to Policy Owner:	16,587,685	18,124,396

Premium Financing Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Arthur Baxter

Summary

Borrower & Policy Owner: Baxter Family Trust

Lender: To be determined

Trust Grantor: Arthur Baxter

Indexed UL Interest Rate
7.00%
Initial Policy Death Benefit
26,681,680

		Gift and Loan Summary						Trust's Values		
Year	Male Age	(1) Policy Premium	(2) Gift to Trust for Premium and Loan Repayment	(3) Balance of Premium Due Borrowed from Bank*	(4) Assumed Bank Loan Interest Rate	(5) Cumulative Loan Due Bank**	(6) Net Policy Loan Proceeds Used to Reduce Loan	(7) Year End Policy Cash Value***	(8) Year End Policy Cash Value*** Net of Bank Loan	(9) Year End Policy Death Benefit Net of Bank Loan
31	80	0	0	0		0	0	18,137,119	18,137,119	19,786,668
32	81	0	0	0		0	0	19,812,952	19,812,952	21,583,427
33	82	0	0	0		0	0	21,623,419	21,623,419	23,523,410
34	83	0	0	0		0	0	23,576,918	23,576,918	25,615,524
35	84	0	0	0		0	0	25,681,276	25,681,276	27,868,089
36	85	0	0	0		0	0	27,942,603	27,942,603	30,287,620
37	86	0	0	0		0	0	30,370,506	30,370,506	32,884,311
38	87	0	0	0		0	0	32,971,526	32,971,526	35,665,147
39	88	0	0	0		0	0	35,750,746	35,750,746	38,635,580
40	89	0	0	0		0	0	38,712,422	38,712,422	41,800,205
41	90	0	0	0		0	0	41,858,331	41,858,331	45,161,017
42	91	0	0	0		0	0	45,284,745	45,284,745	48,112,342

7,000,000

3,000,000

4,000,000

6,804,730

*Negatives in Column (3) assume bank repayment.

**Includes accrued loan interest. See "Analysis of Bank Loan" on Page 9 for details.

***This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

42 Year Analysis

	Living Values	Death Benefit
Indexed Universal Life	45,284,745	48,112,342
Less Loan Repayment Due:	0	0
Equals Value to Policy Owner:	45,284,745	48,112,342

Premium Financing Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

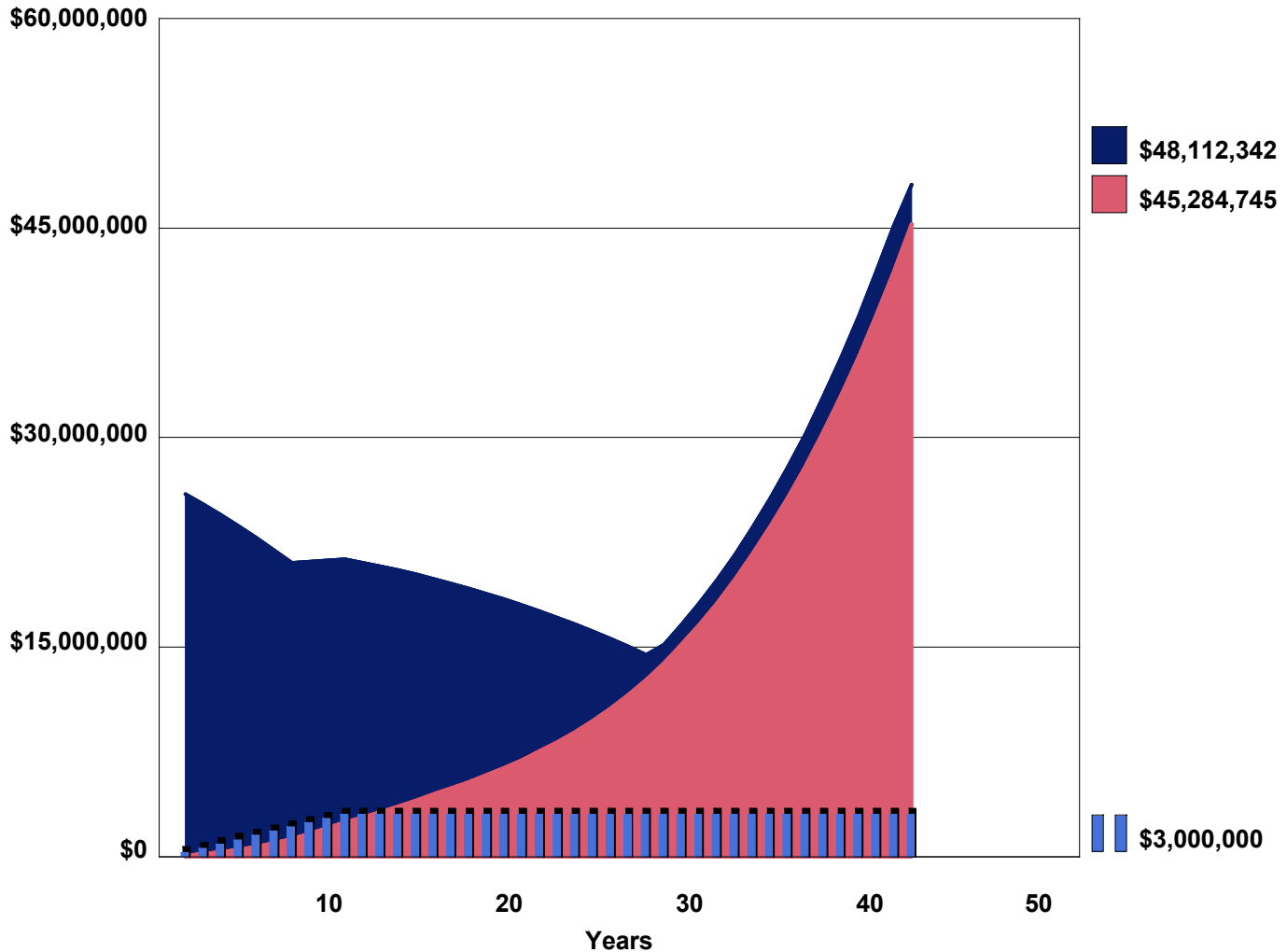
Insured: Arthur Baxter

Trust's 42 Year Graphic Analysis

Borrower and Policy Owner: Baxter Family Trust

Lender: To be determined

Trust Grantor: Arthur Baxter



	<u>At Year 42</u>
Cumulative Gifts for Premiums	\$3,000,000
Trust's Cash Value Less Loan Due Bank ¹	\$45,284,745
Trust's Estate Tax Free Death Benefit Less Loan Due Bank ¹	\$48,112,342

¹The cumulative loan due bank of \$6,804,730 is assumed paid off at the beginning of year 16 from policy loans.

Premium Financing Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Arthur Baxter

Trust's Required Cash Flow

Borrower & Policy Owner: Baxter Family Trust

Lender: To be determined

Trust Grantor: Arthur Baxter

Year	Male Age	(1) Portion of Policy Premium*	(2) Loan Repayment*	(3) Trust's Required Cash Flow*
1	50	300,000	0	300,000
2	51	300,000	0	300,000
3	52	300,000	0	300,000
4	53	300,000	0	300,000
5	54	300,000	0	300,000
6	55	300,000	0	300,000
7	56	300,000	0	300,000
8	57	0	300,000	300,000
9	58	0	300,000	300,000
10	59	0	300,000	300,000
11	60	0	0	0
12	61	0	0	0
13	62	0	0	0
14	63	0	0	0
15	64	0	0	0
16	65	0	0	0
17	66	0	0	0
18	67	0	0	0
19	68	0	0	0
20	69	0	0	0
21	70	0	0	0
22	71	0	0	0
23	72	0	0	0
24	73	0	0	0
25	74	0	0	0
26	75	0	0	0
27	76	0	0	0
28	77	0	0	0
29	78	0	0	0
30	79	0	0	0
		2,100,000	900,000	3,000,000

*Assumed gifted from Trust Grantor.

Premium Financing Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Arthur Baxter

Trust's Required Cash Flow

Borrower & Policy Owner: Baxter Family Trust

Lender: To be determined

Trust Grantor: Arthur Baxter

Year	Male Age	(1) Portion of Policy Premium*	(2) Loan Repayment*	(3) Trust's Required Cash Flow*
31	80	0	0	0
32	81	0	0	0
33	82	0	0	0
34	83	0	0	0
35	84	0	0	0
36	85	0	0	0
37	86	0	0	0
38	87	0	0	0
39	88	0	0	0
40	89	0	0	0
41	90	0	0	0
42	91	0	0	0

2,100,000	900,000	3,000,000
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*Assumed gifted from Trust Grantor.

Premium Financing Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Arthur Baxter

Analysis of Bank Loan

Borrower & Policy Owner: Baxter Family Trust

Lender: To be determined

Trust Grantor: Arthur Baxter

Loan Interest
Payment Method
Accrued in all Years

Year	Male Age	(1) Loan from Bank to Trust for Policy Premium	(2) Amount Paid by Trust to Repay Loan	(3) Net Loan Policy Proceeds Used to Reduce Loan	(4) Loan Balance Subject to Interest	(5) Assumed Bank Loan Interest Rate	(6) Loan Interest to Accrue	(7) Year End Cumulative Loan Due Bank (4)+(6)
1	50	700,000	0	0	700,000	3.00%	21,000	721,000
2	51	700,000	0	0	1,421,000	3.14%	44,619	1,465,619
3	52	700,000	0	0	2,165,619	3.29%	71,249	2,236,868
4	53	700,000	0	0	2,936,868	3.43%	100,735	3,037,603
5	54	700,000	0	0	3,737,603	3.57%	133,432	3,871,035
6	55	700,000	0	0	4,571,035	3.71%	169,585	4,740,620
7	56	700,000	0	0	5,440,620	3.86%	210,008	5,650,628
8	57	0	300,000	0	5,350,628	4.00%	214,025	5,564,653
9	58	0	300,000	0	5,264,653	4.14%	217,957	5,482,610
10	59	0	300,000	0	5,182,610	4.29%	222,334	5,404,944
11	60	0	0	0	5,404,944	4.43%	239,439	5,644,383
12	61	0	0	0	5,644,383	4.57%	257,948	5,902,331
13	62	0	0	0	5,902,331	4.71%	278,000	6,180,331
14	63	0	0	0	6,180,331	4.86%	300,364	6,480,695
15	64	0	0	0	6,480,695	5.00%	324,035	6,804,730
16	65	0	0	6,804,730	0	0	0	0
17	66	0	0	0	0	0	0	0
18	67	0	0	0	0	0	0	0
19	68	0	0	0	0	0	0	0
20	69	0	0	0	0	0	0	0
21	70	0	0	0	0	0	0	0
22	71	0	0	0	0	0	0	0
23	72	0	0	0	0	0	0	0
24	73	0	0	0	0	0	0	0
25	74	0	0	0	0	0	0	0
26	75	0	0	0	0	0	0	0
27	76	0	0	0	0	0	0	0
28	77	0	0	0	0	0	0	0
29	78	0	0	0	0	0	0	0
30	79	0	0	0	0	0	0	0
		4,900,000	900,000	6,804,730			2,804,730	

Premium Financing Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Arthur Baxter

Analysis of Bank Loan

Borrower & Policy Owner: Baxter Family Trust

Lender: To be determined

Trust Grantor: Arthur Baxter

Loan Interest
Payment Method
Accrued in all Years

Year	Male Age	(1) Loan from Bank to Trust for Policy Premium	(2) Amount Paid by Trust to Repay Loan	(3) Net Loan Policy Proceeds Used to Reduce Loan	(4) Loan Balance Subject to Interest	(5) Assumed Bank Loan Interest Rate	(6) Loan Interest to Accrue	(7) Year End Cumulative Loan Due Bank (4)+(6)
31	80	0	0	0	0		0	0
32	81	0	0	0	0		0	0
33	82	0	0	0	0		0	0
34	83	0	0	0	0		0	0
35	84	0	0	0	0		0	0
36	85	0	0	0	0		0	0
37	86	0	0	0	0		0	0
38	87	0	0	0	0		0	0
39	88	0	0	0	0		0	0
40	89	0	0	0	0		0	0
41	90	0	0	0	0		0	0
42	91	0	0	0	0		0	0
		4,900,000	900,000	6,804,730			2,804,730	

Premium Financing Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Arthur Baxter

Rate of Return (ROR) Analysis

Borrower & Policy Owner: Baxter Family Trust

Lender: To be determined

Trust Grantor: Arthur Baxter

Indexed UL Interest Rate: 7.00%
 Initial Policy Death Benefit: 26,681,680
 Trust Grantor's Income Tax Tax Bracket: 48.00%
 Trust Grantor's Estate Tax Tax Bracket: 40.00%
 Loan Interest Payment Method: Accrued in all Years

Year	Male Age	Trust's Year End Cash Value					Trust's Year End Death Benefit		
		(1) Portion of Policy Premium Paid by Trust	(2) Cumulative Cash Flow Required from Trust	(3) Net Policy Cash Value*	(4) Pre-Tax** Equivalent ROR of Net Policy Cash Value	(5) Net ROR of Net Policy Cash Value	(6) Net Policy Death Benefit*	(7) Pre-Tax** Equivalent ROR of Net Policy Death Benefit	(8) Net ROR of Net Policy Death Benefit
1	50	300,000	300,000	71,724	-60.15%	-76.09%	25,960,680	27,543.46%	8,553.56%
2	51	300,000	600,000	177,792	-38.75%	-58.20%	25,216,061	1,989.71%	768.17%
3	52	300,000	900,000	318,461	-24.17%	-43.60%	24,444,812	724.39%	295.54%
4	53	300,000	1,200,000	495,427	-14.41%	-32.39%	23,644,077	399.47%	166.19%
5	54	300,000	1,500,000	710,384	-7.79%	-23.95%	22,810,645	262.72%	109.98%
6	55	300,000	1,800,000	966,161	-3.17%	-17.56%	21,941,060	189.81%	79.44%
7	56	300,000	2,100,000	1,265,792	0.22%	-12.69%	21,031,052	145.18%	60.49%
8	57	300,000	2,400,000	1,644,826	5.67%	-8.47%	21,117,027	117.63%	48.85%
9	58	300,000	2,700,000	2,045,572	8.91%	-5.61%	21,199,070	98.04%	40.53%
10	59	300,000	3,000,000	2,469,973	10.92%	-3.57%	21,276,736	83.47%	34.32%
11	60	0	3,000,000	2,818,984	13.17%	-0.96%	21,037,297	72.15%	29.59%
12	61	0	3,000,000	3,192,862	14.66%	0.83%	20,779,349	63.25%	25.88%
13	62	0	3,000,000	3,593,009	15.67%	2.12%	20,501,349	56.10%	22.90%
14	63	0	3,000,000	4,020,917	16.38%	3.09%	20,200,985	50.24%	20.46%
15	64	0	3,000,000	4,479,640	16.87%	3.83%	19,876,950	45.35%	18.43%
16	65	0	3,000,000	4,897,733	16.96%	4.29%	19,536,714	41.22%	16.71%
17	66	0	3,000,000	5,348,297	17.01%	4.66%	19,179,465	37.69%	15.24%
18	67	0	3,000,000	5,834,162	17.04%	4.97%	18,804,354	34.64%	13.97%
19	68	0	3,000,000	6,358,726	17.06%	5.24%	18,410,488	31.96%	12.86%
20	69	0	3,000,000	6,925,800	17.07%	5.47%	17,996,929	29.60%	11.88%
21	70	0	3,000,000	7,539,267	17.06%	5.66%	17,562,691	27.50%	11.00%
22	71	0	3,000,000	8,205,379	17.06%	5.84%	17,106,742	25.61%	10.22%
23	72	0	3,000,000	8,931,377	17.06%	5.99%	16,627,995	23.90%	9.50%
24	73	0	3,000,000	9,725,884	17.06%	6.14%	16,125,310	22.34%	8.84%
25	74	0	3,000,000	10,599,499	17.07%	6.27%	15,597,492	20.91%	8.24%
26	75	0	3,000,000	11,565,352	17.09%	6.40%	15,043,282	19.58%	7.68%
27	76	0	3,000,000	12,639,646	17.12%	6.52%	14,461,363	18.34%	7.15%
28	77	0	3,000,000	13,840,877	17.17%	6.65%	15,174,487	17.97%	7.05%
29	78	0	3,000,000	15,158,321	17.22%	6.76%	16,589,882	17.97%	7.14%
30	79	0	3,000,000	16,587,685	17.25%	6.86%	18,124,396	17.96%	7.22%

3,000,000

**Including a factor for a 48.00% income tax bracket and a 40.00% estate tax bracket.

*After deducting the cumulative loan due to the bank.

Premium Financing Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Arthur Baxter

Rate of Return (ROR) Analysis

Borrower & Policy Owner: Baxter Family Trust

Lender: To be determined

Trust Grantor: Arthur Baxter

Indexed UL Interest Rate: 7.00%
 Initial Policy Death Benefit: 26,681,680
 Trust Grantor's Income Tax Tax Bracket: 48.00%
 Trust Grantor's Estate Tax Tax Bracket: 40.00%
 Loan Interest Payment Method: Accrued in all Years

Year	Male Age	Trust's Year End Cash Value					Trust's Year End Death Benefit		
		(1) Portion of Policy Premium Paid by Trust	(2) Cumulative Cash Flow Required from Trust	(3) Net Policy Cash Value*	(4) Pre-Tax** Equivalent ROR of Net Policy Cash Value	(5) Net ROR of Net Policy Cash Value	(6) Net Policy Death Benefit*	(7) Pre-Tax** Equivalent ROR of Net Policy Death Benefit	(8) Net ROR of Net Policy Death Benefit
31	80	0	3,000,000	18,137,119	17.28%	6.95%	19,786,668	17.95%	7.30%
32	81	0	3,000,000	19,812,952	17.29%	7.03%	21,583,427	17.93%	7.36%
33	82	0	3,000,000	21,623,419	17.30%	7.10%	23,523,410	17.91%	7.41%
34	83	0	3,000,000	23,576,918	17.31%	7.17%	25,615,524	17.88%	7.46%
35	84	0	3,000,000	25,681,276	17.30%	7.22%	27,868,089	17.85%	7.51%
36	85	0	3,000,000	27,942,603	17.29%	7.27%	30,287,620	17.82%	7.54%
37	86	0	3,000,000	30,370,506	17.27%	7.31%	32,884,311	17.78%	7.57%
38	87	0	3,000,000	32,971,526	17.25%	7.35%	35,665,147	17.73%	7.60%
39	88	0	3,000,000	35,750,746	17.22%	7.38%	38,635,580	17.68%	7.62%
40	89	0	3,000,000	38,712,422	17.18%	7.41%	41,800,205	17.63%	7.64%
41	90	0	3,000,000	41,858,331	17.14%	7.43%	45,161,017	17.57%	7.65%
42	91	0	3,000,000	45,284,745	17.11%	7.45%	48,112,342	17.44%	7.62%

3,000,000

*After deducting the cumulative loan due to the bank.

**Including a factor for a 48.00% income tax bracket and a 40.00% estate tax bracket.

Premium Financing Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Arthur Baxter

Premium Financing vs. Gift Full Premium Alternative Funding Comparison (Gifts and Policy Values)

Borrower & Policy Owner: Baxter Family Trust

Lender: To be determined

Trust Grantor: Arthur Baxter

Indexed UL
Interest Rate
7.00%

Indexed UL
Interest Rate
7.00%

		Premium Financing Indexed Universal Life			Gift Full Premium Indexed Universal Life		
Year	Male Age	(1) Annual Gift	(2) Year End Net Policy Cash Value*	(3) Year End Net Policy Death Benefit*	(4) Annual Gift	(5) Year End Policy Cash Value	(6) Year End Policy Death Benefit
1	50	300,000	71,724	25,960,680	1,000,000	792,724	26,681,680
2	51	300,000	177,792	25,216,061	1,000,000	1,643,411	26,681,680
3	52	300,000	318,461	24,444,812	1,000,000	2,555,329	26,681,680
4	53	300,000	495,427	23,644,077	1,000,000	3,533,030	26,681,680
5	54	300,000	710,384	22,810,645	1,000,000	4,581,419	26,681,680
6	55	300,000	966,161	21,941,060	1,000,000	5,706,781	26,681,680
7	56	300,000	1,265,792	21,031,052	1,000,000	6,916,420	26,681,680
8	57	300,000	1,644,826	21,117,027	0	7,209,479	26,681,680
9	58	300,000	2,045,572	21,199,070	0	7,528,182	26,681,680
10	59	300,000	2,469,973	21,276,736	0	7,874,917	26,681,680
11	60	0	2,818,984	21,037,297	0	8,463,367	26,681,680
12	61	0	3,192,862	20,779,349	0	9,095,193	26,681,680
13	62	0	3,593,009	20,501,349	0	9,773,340	26,681,680
14	63	0	4,020,917	20,200,985	0	10,501,612	26,681,680
15	64	0	4,479,640	19,876,950	0	11,284,370	26,681,680
16	65	0	4,897,733	19,536,714	-6,804,730	4,897,733	19,536,714
17	66	0	5,348,297	19,179,465	0	5,348,297	19,179,465
18	67	0	5,834,162	18,804,354	0	5,834,162	18,804,354
19	68	0	6,358,726	18,410,488	0	6,358,726	18,410,488
20	69	0	6,925,800	17,996,929	0	6,925,800	17,996,929
21	70	0	7,539,267	17,562,691	0	7,539,267	17,562,691
22	71	0	8,205,379	17,106,742	0	8,205,379	17,106,742
23	72	0	8,931,377	16,627,995	0	8,931,377	16,627,995
24	73	0	9,725,884	16,125,310	0	9,725,884	16,125,310
25	74	0	10,599,499	15,597,492	0	10,599,499	15,597,492
26	75	0	11,565,352	15,043,282	0	11,565,352	15,043,282
27	76	0	12,639,646	14,461,363	0	12,639,646	14,461,363
28	77	0	13,840,877	15,174,487	0	13,840,877	15,174,487
29	78	0	15,158,321	16,589,882	0	15,158,321	16,589,882
30	79	0	16,587,685	18,124,396	0	16,587,685	18,124,396
		3,000,000			195,270		

*After deducting the cumulative loan due to the bank.

Premium Financing Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Arthur Baxter

Premium Financing vs. Gift Full Premium Alternative Funding Comparison (Gifts and Policy Values)

Borrower & Policy Owner: Baxter Family Trust
Lender: To be determined
Trust Grantor: Arthur Baxter

Indexed UL
Interest Rate
7.00%

Indexed UL
Interest Rate
7.00%

		Premium Financing Indexed Universal Life			Gift Full Premium Indexed Universal Life		
Year	Male Age	(1) Annual Gift	(2) Year End Net Policy Cash Value*	(3) Year End Net Policy Death Benefit*	(4) Annual Gift	(5) Year End Policy Cash Value	(6) Year End Policy Death Benefit
31	80	0	18,137,119	19,786,668	0	18,137,119	19,786,668
32	81	0	19,812,952	21,583,427	0	19,812,952	21,583,427
33	82	0	21,623,419	23,523,410	0	21,623,419	23,523,410
34	83	0	23,576,918	25,615,524	0	23,576,918	25,615,524
35	84	0	25,681,276	27,868,089	0	25,681,276	27,868,089
36	85	0	27,942,603	30,287,620	0	27,942,603	30,287,620
37	86	0	30,370,506	32,884,311	0	30,370,506	32,884,311
38	87	0	32,971,526	35,665,147	0	32,971,526	35,665,147
39	88	0	35,750,746	38,635,580	0	35,750,746	38,635,580
40	89	0	38,712,422	41,800,205	0	38,712,422	41,800,205
41	90	0	41,858,331	45,161,017	0	41,858,331	45,161,017
42	91	0	45,284,745	48,112,342	0	45,284,745	48,112,342

3,000,000

195,270

*After deducting the cumulative loan due to the bank.

Premium Financing Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Arthur Baxter

Premium Financing vs. Gift Full Premium Alternative Funding Comparison (Pre-Tax Equivalent Rate of Return)

Borrower & Policy Owner: Baxter Family Trust
Lender: To be determined
Trust Grantor: Arthur Baxter

		Premium Financing Indexed Universal Life Pre-tax Equivalent Rate of Return Required on Column (1) to Match Net Policy Values**			Gift Full Premium Indexed Universal Life Pre-tax Equivalent Rate of Return Required on Column (4) to Match Policy Values**		
		(1)	(2)	(3)	(4)	(5)	(6)
		Annual Gift	Year End Net Policy Cash Value*	Year End Net Policy Death Benefit*	Annual Gift	Year End Policy Cash Value	Year End Policy Death Benefit
Year	Male Age						
			Indexed UL Interest Rate 7.00%	Trust Grantor's Income Tax Tax Bracket 48.00%	Trust Grantor's Estate Tax Tax Bracket 40.00%		
1	50	300,000	-60.15%	27,543.46%	1,000,000	-20.73%	4,938.78%
2	51	300,000	-38.75%	1,989.71%	1,000,000	-12.40%	709.53%
3	52	300,000	-24.17%	724.39%	1,000,000	-7.81%	305.84%
4	53	300,000	-14.41%	399.47%	1,000,000	-4.90%	178.69%
5	54	300,000	-7.79%	262.72%	1,000,000	-2.90%	119.66%
6	55	300,000	-3.17%	189.81%	1,000,000	-1.43%	86.44%
7	56	300,000	0.22%	145.18%	1,000,000	-0.30%	65.48%
8	57	300,000	5.67%	117.63%	0	1.13%	53.22%
9	58	300,000	8.91%	98.04%	0	2.34%	44.64%
10	59	300,000	10.92%	83.47%	0	3.25%	38.35%
11	60	0	13.17%	72.15%	0	4.59%	33.56%
12	61	0	14.66%	63.25%	0	5.64%	29.81%
13	62	0	15.67%	56.10%	0	6.48%	26.79%
14	63	0	16.38%	50.24%	0	7.18%	24.32%
15	64	0	16.87%	45.35%	0	7.75%	22.26%
16	65	0	16.96%	41.22%	-6,804,730	8.07%	20.75%
17	66	0	17.01%	37.69%	0	8.37%	19.43%
18	67	0	17.04%	34.64%	0	8.65%	18.26%
19	68	0	17.06%	31.96%	0	8.92%	17.21%
20	69	0	17.07%	29.60%	0	9.17%	16.27%
21	70	0	17.06%	27.50%	0	9.40%	15.41%
22	71	0	17.06%	25.61%	0	9.62%	14.62%
23	72	0	17.06%	23.90%	0	9.83%	13.89%
24	73	0	17.06%	22.34%	0	10.04%	13.21%
25	74	0	17.07%	20.91%	0	10.24%	12.57%
26	75	0	17.09%	19.58%	0	10.44%	11.97%
27	76	0	17.12%	18.34%	0	10.63%	11.39%
28	77	0	17.17%	17.97%	0	10.83%	11.34%
29	78	0	17.22%	17.97%	0	11.02%	11.51%
30	79	0	17.25%	17.96%	0	11.20%	11.67%
		3,000,000			195,270		

**Including a factor for a 48.00% income tax bracket and a 40.00% estate tax bracket.

*After deducting the cumulative loan due to the bank.

Premium Financing Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Arthur Baxter

Premium Financing vs. Gift Full Premium Alternative Funding Comparison (Pre-Tax Equivalent Rate of Return)

Borrower & Policy Owner: Baxter Family Trust
Lender: To be determined
Trust Grantor: Arthur Baxter

		Trust Grantor's Income Tax Tax Bracket 48.00%			Trust Grantor's Estate Tax Tax Bracket 40.00%		
		Indexed UL Interest Rate 7.00%					
		Premium Financing Indexed Universal Life Pre-tax Equivalent Rate of Return Required on Column (1) to Match Net Policy Values**			Gift Full Premium Indexed Universal Life Pre-tax Equivalent Rate of Return Required on Column (4) to Match Policy Values**		
Year	Male Age	(1) Annual Gift	(2) Year End Net Policy Cash Value*	(3) Year End Net Policy Death Benefit*	(4) Annual Gift	(5) Year End Policy Cash Value	(6) Year End Policy Death Benefit
31	80	0	17.28%	17.95%	0	11.37%	11.82%
32	81	0	17.29%	17.93%	0	11.53%	11.96%
33	82	0	17.30%	17.91%	0	11.67%	12.09%
34	83	0	17.31%	17.88%	0	11.80%	12.21%
35	84	0	17.30%	17.85%	0	11.93%	12.32%
36	85	0	17.29%	17.82%	0	12.04%	12.42%
37	86	0	17.27%	17.78%	0	12.14%	12.51%
38	87	0	17.25%	17.73%	0	12.23%	12.59%
39	88	0	17.22%	17.68%	0	12.32%	12.66%
40	89	0	17.18%	17.63%	0	12.39%	12.73%
41	90	0	17.14%	17.57%	0	12.46%	12.78%
42	91	0	17.11%	17.44%	0	12.53%	12.78%

3,000,000

195,270

*After deducting the cumulative loan due to the bank.

**Including a factor for a 48.00% income tax bracket and a 40.00% estate tax bracket.

Premium Financing Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Arthur Baxter

Premium Financing vs. Gift Full Premium Alternative Funding Comparison (Net Rate of Return)

Borrower & Policy Owner: Baxter Family Trust

Lender: To be determined

Trust Grantor: Arthur Baxter

		Indexed UL Interest Rate 7.00%			Indexed UL Interest Rate 7.00%		
		Premium Financing Indexed Universal Life Net Rate of Return Required on Column (1) to Match Net Policy Values			Gift Full Premium Indexed Universal Life Net Rate of Return Required on Column (4) to Match Policy Values		
Year	Male Age	(1) Annual Gift	(2) Year End Net Policy Cash Value*	(3) Year End Net Policy Death Benefit*	(4) Annual Gift	(5) Year End Policy Cash Value	(6) Year End Policy Death Benefit
1	50	300,000	-76.09%	8,553.56%	1,000,000	-20.73%	2,568.17%
2	51	300,000	-58.20%	768.17%	1,000,000	-12.40%	368.96%
3	52	300,000	-43.60%	295.54%	1,000,000	-7.81%	159.04%
4	53	300,000	-32.39%	166.19%	1,000,000	-4.90%	92.92%
5	54	300,000	-23.95%	109.98%	1,000,000	-2.90%	62.22%
6	55	300,000	-17.56%	79.44%	1,000,000	-1.43%	44.95%
7	56	300,000	-12.69%	60.49%	1,000,000	-0.30%	34.05%
8	57	300,000	-8.47%	48.85%	0	0.59%	27.67%
9	58	300,000	-5.61%	40.53%	0	1.21%	23.21%
10	59	300,000	-3.57%	34.32%	0	1.69%	19.94%
11	60	0	-0.96%	29.59%	0	2.39%	17.45%
12	61	0	0.83%	25.88%	0	2.93%	15.50%
13	62	0	2.12%	22.90%	0	3.37%	13.93%
14	63	0	3.09%	20.46%	0	3.73%	12.65%
15	64	0	3.83%	18.43%	0	4.03%	11.57%
16	65	0	4.29%	16.71%	-6,804,730	4.20%	10.79%
17	66	0	4.66%	15.24%	0	4.35%	10.10%
18	67	0	4.97%	13.97%	0	4.50%	9.49%
19	68	0	5.24%	12.86%	0	4.64%	8.95%
20	69	0	5.47%	11.88%	0	4.77%	8.46%
21	70	0	5.66%	11.00%	0	4.89%	8.01%
22	71	0	5.84%	10.22%	0	5.00%	7.60%
23	72	0	5.99%	9.50%	0	5.11%	7.22%
24	73	0	6.14%	8.84%	0	5.22%	6.87%
25	74	0	6.27%	8.24%	0	5.32%	6.54%
26	75	0	6.40%	7.68%	0	5.43%	6.22%
27	76	0	6.52%	7.15%	0	5.53%	5.92%
28	77	0	6.65%	7.05%	0	5.63%	5.90%
29	78	0	6.76%	7.14%	0	5.73%	5.99%
30	79	0	6.86%	7.22%	0	5.83%	6.07%
		3,000,000			195,270		

*After deducting the cumulative loan due to the bank.

Premium Financing Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Arthur Baxter

Premium Financing vs. Gift Full Premium Alternative Funding Comparison (Net Rate of Return)

Borrower & Policy Owner: Baxter Family Trust
Lender: To be determined
Trust Grantor: Arthur Baxter

		Indexed UL Interest Rate 7.00%			Indexed UL Interest Rate 7.00%		
		Premium Financing Indexed Universal Life Net Rate of Return Required on Column (1) to Match Net Policy Values			Gift Full Premium Indexed Universal Life Net Rate of Return Required on Column (4) to Match Policy Values		
Year	Male Age	(1) Annual Gift	(2) Year End Net Policy Cash Value*	(3) Year End Net Policy Death Benefit*	(4) Annual Gift	(5) Year End Policy Cash Value	(6) Year End Policy Death Benefit
31	80	0	6.95%	7.30%	0	5.91%	6.15%
32	81	0	7.03%	7.36%	0	5.99%	6.22%
33	82	0	7.10%	7.41%	0	6.07%	6.29%
34	83	0	7.17%	7.46%	0	6.14%	6.35%
35	84	0	7.22%	7.51%	0	6.20%	6.40%
36	85	0	7.27%	7.54%	0	6.26%	6.46%
37	86	0	7.31%	7.57%	0	6.31%	6.50%
38	87	0	7.35%	7.60%	0	6.36%	6.55%
39	88	0	7.38%	7.62%	0	6.41%	6.58%
40	89	0	7.41%	7.64%	0	6.45%	6.62%
41	90	0	7.43%	7.65%	0	6.48%	6.65%
42	91	0	7.45%	7.62%	0	6.51%	6.64%
		3,000,000			195,270		

*After deducting the cumulative loan due to the bank.

Rate of Return Calculation Logic

Borrower & Policy Owner: Baxter Family Trust

Lender: To be determined

Trust Grantor: Arthur Baxter

There are four key columns on the accompanying Rate of Return Analysis report:

Net Rate of Return of Net Policy Cash Value	Net Rate of Return of Net Policy Death Benefit
---	--

Calculations for the Net Rate of Return column show the interest rate that would have to be earned on the out-of-pocket cash flow included in plan funding in order to match the net cash value and net death benefit of the policy. Such out-of-pocket cash flow can include one or more of the following: 1) Loan origination fee and/or other loan fees when not added to the loan; 2) Cost of letter of credit; 3) Gifts to the trust for premium; 4) Gifts to the trust for loan interest due the lender; and 5) A loan repayment from an outside source. The Net Rate of Return indicated in these columns would be required for the Trust Grantor to produce a similar result for heirs.

Pre-Tax Equivalent Rate of Return of Net Policy Cash Value	Pre-Tax Equivalent Rate of Return of Net Policy Death Benefit
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Calculations for the Pre-Tax Equivalent Rate of Return column show the pre-tax equivalent interest rate that would have to be earned on the out-of-pocket cash flow included in plan funding in order to match the net cash value and net death benefit of the policy. Such out-of-pocket cash flow can include one or more of the following: 1) Loan origination fee and/or other loan fees when not added to the loan; 2) Cost of letter of credit; 3) Gifts to the trust for premium; 4) Gifts to the trust for loan interest due the lender; and 5) A loan repayment from an outside source. This calculation grosses up the Net Rate of Return by a factor that accounts for the Trust Grantor's income and estate tax brackets. The Pre-Tax Rate of Return indicated in these columns would be required for the policy owner to produce a similar result using an alternative taxable account.

Premium Financing Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Arthur Baxter

Gift Analysis

Borrower & Policy Owner: Baxter Family Trust

Lender: To be determined

Trust Grantor: Arthur Baxter

		Annual Gift Exclusions 8		Beginning Lifetime Gift Exemption 10,980,000			
Year	Male Age	(1) Lifetime Gift Exemption*	(2) Annual Gift Exclusion Indexed @ 3.00%	(3) Maximum Tax Free Gifts Available (1) + (2)	(4) Gift to Trust for Premium	(5) Remaining Tax Free Gifts Available (3) - (4)	
1	50	10,980,000	112,000	11,092,000	300,000	10,792,000	
2	51	11,132,000	120,000	11,252,000	300,000	10,952,000	
3	52	11,292,000	120,000	11,412,000	300,000	11,112,000	
4	53	11,452,000	128,000	11,580,000	300,000	11,280,000	
5	54	11,640,000	128,000	11,768,000	300,000	11,468,000	
6	55	11,848,000	136,000	11,984,000	300,000	11,684,000	
7	56	12,064,000	136,000	12,200,000	300,000	11,900,000	
8	57	12,300,000	144,000	12,444,000	300,000	12,144,000	
9	58	12,544,000	144,000	12,688,000	300,000	12,388,000	
10	59	12,808,000	152,000	12,960,000	300,000	12,660,000	
11	60	13,080,000	160,000	13,240,000	0	13,240,000	
12	61	13,540,000	160,000	13,700,000	0	13,700,000	
13	62	13,980,000	168,000	14,148,000	0	14,148,000	
14	63	14,460,000	176,000	14,636,000	0	14,636,000	
15	64	14,940,000	176,000	15,116,000	0	15,116,000	
16	65	15,440,000	184,000	15,624,000	0	15,624,000	
17	66	15,960,000	192,000	16,152,000	0	16,152,000	
18	67	16,480,000	192,000	16,672,000	0	16,672,000	
19	68	17,020,000	200,000	17,220,000	0	17,220,000	
20	69	17,580,000	208,000	17,788,000	0	17,788,000	
21	70	18,160,000	216,000	18,376,000	0	18,376,000	
22	71	18,760,000	216,000	18,976,000	0	18,976,000	
23	72	19,380,000	224,000	19,604,000	0	19,604,000	
24	73	20,000,000	232,000	20,232,000	0	20,232,000	
25	74	20,660,000	240,000	20,900,000	0	20,900,000	
26	75	21,320,000	248,000	21,568,000	0	21,568,000	
27	76	22,020,000	256,000	22,276,000	0	22,276,000	
28	77	22,740,000	264,000	23,004,000	0	23,004,000	
29	78	23,460,000	272,000	23,732,000	0	23,732,000	
30	79	24,220,000	280,000	24,500,000	0	24,500,000	
			5,584,000		3,000,000		

*Client's Unified Credit Equivalent is indexed for inflation at 3.00%.

Values in Column (3) are based on client input assumptions.

Premium Financing Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Arthur Baxter

Gift Analysis

Borrower & Policy Owner: Baxter Family Trust

Lender: To be determined

Trust Grantor: Arthur Baxter

Annual Gift Exclusions
8

Beginning Lifetime Gift Exemption
10,980,000

Year	Male Age	(1) Lifetime Gift Exemption*	(2) Annual Gift Exclusion Indexed @ 3.00%	(3) Maximum Tax Free Gifts Available (1) + (2)	(4) Gift to Trust for Premium	(5) Remaining Tax Free Gifts Available (3) - (4)
31	80	25,000,000	288,000	25,288,000	0	25,288,000
32	81	25,800,000	296,000	26,096,000	0	26,096,000
33	82	26,620,000	304,000	26,924,000	0	26,924,000
34	83	27,460,000	312,000	27,772,000	0	27,772,000
35	84	28,340,000	320,000	28,660,000	0	28,660,000
36	85	29,240,000	336,000	29,576,000	0	29,576,000
37	86	30,160,000	344,000	30,504,000	0	30,504,000
38	87	31,120,000	352,000	31,472,000	0	31,472,000
39	88	32,100,000	368,000	32,468,000	0	32,468,000
40	89	33,120,000	376,000	33,496,000	0	33,496,000
41	90	34,160,000	384,000	34,544,000	0	34,544,000
42	91	35,240,000	400,000	35,640,000	0	35,640,000

9,664,000

3,000,000

*Client's Unified Credit Equivalent is indexed for inflation at 3.00%.

Values in Column (3) are based on client input assumptions.