



LIFE SOLUTIONS

Premium Finance Overview

Presenter Name

Presenter Title Line 1

Not a deposit
Not FDIC-insured
May go down in value
Not insured by any federal government agency
Not guaranteed by any bank or savings association

Insurance products issued by:

The Lincoln National Life Insurance Company
Lincoln Life & Annuity Company of New York

What is premium financing?



Borrowing from
a bank or other
commercial lender

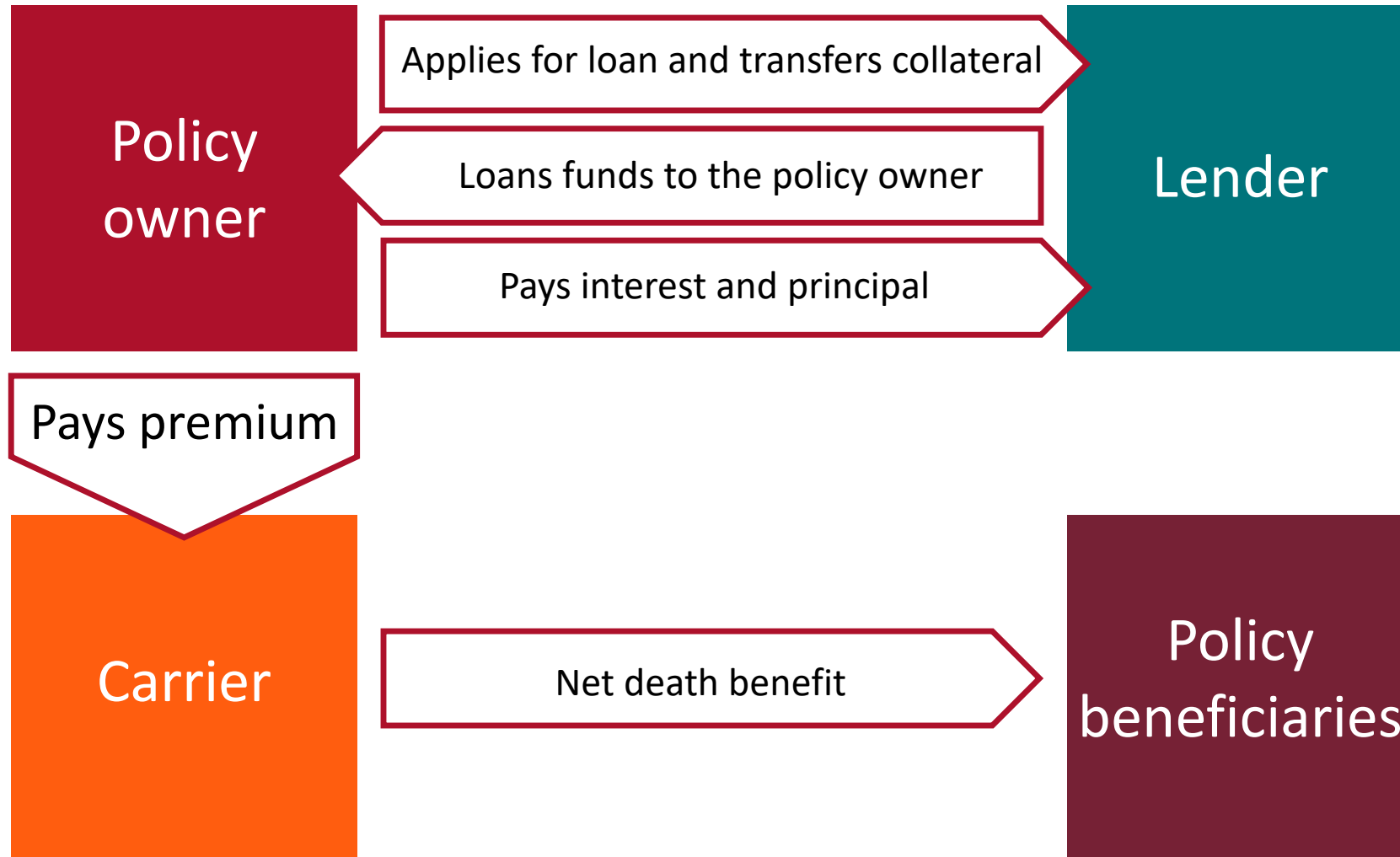


To pay premiums
of a life
insurance policy



On a life
insurance policy

How does commercial premium financing work?



Commercial premium financing

Client profile

Funding

Collateral

Product design

Benefits and risks

Guidelines

Client profile

■ Client profile

Funding

Collateral

Product design

Benefits and risks

Guidelines



Client has one of the following:

- Estate planning need
- Business insurance need
- Retirement income need

Client profile

- Client
- Full
- Co
- Pro
- Be
- Gu

What
about the
spouse?

Does the client
have business
partners or key
employees?

Do you have
ultra high
net worth
clients?

Client profile

■ Client profile

Funding

Collateral

Product design

Benefits and risks

Guidelines



Take advantage of low borrowing costs



May be illiquid



Selling investments could trigger tax exposure



May want to conserve gifting capacity

Funding

Client profile

■ **Funding**

Collateral

Product design

Benefits and risks

Guidelines

Policy owner borrows from a commercial lender

Borrowing costs are set by the lender

First year premium	Sample index + spread	Sample rate
\$100,000 - \$499,999	LIBOR + 250bps	4.46%
\$500,000 - \$999,999	LIBOR + 225bps	4.21%
\$1,000,000+	LIBOR + 200bps	3.96%

LIBOR is 0.15% as of December 15, 2020.

Loan must be collateralized.

Collateral

Client profile

Funding

■ Collateral

Product design

Benefits and risks

Guidelines

collateral kə'ladərəl

noun

Something pledged as security for repayment of a loan, to be forfeited in the event of a default
(what the bank keeps if you don't pay).

Possible premium finance collateral



Policy values



Liquid assets



Marketable
securities

Collateral

Client profile

Funding

■ **Collateral**

Product design

Benefits and risks

Guidelines

Collateral sample

Policy
owner
borrows
\$1M

First-year
surrender
value
\$200,000

Additional
collateral
required
\$800,000

Product design

Client profile

Funding

Collateral

■ **Product design**

Benefits and risks

Guidelines

Loan duration	Usually 3 to 10 years
Products	Fixed products only, typically Indexed UL
Product features	Sometimes includes a <i>High Early Cash Value Rider</i> to minimize out-of-pocket collateral
Exit strategy	May illustrate a distribution* from the policy to repay the lender “Death” is usually not an acceptable exit strategy

*Loans and withdrawals reduce your policy’s cash surrender value and death benefit, may cause the policy to lapse, and may have tax implications.

Benefits and risks

Client profile

Funding

Collateral

Product design

■ Benefits and risks

Guidelines

If performs as illustrated, life insurance protection for the cost of paying the interest

	Borrowed premium	Loan interest rate	Interest paid annually	Policy death benefit	Total loan	Net death benefit
1	\$1M	5%	\$50K	\$20M	\$1M	\$19M
2	\$1M	5%	\$100K	\$20M	\$2M	\$18M
3	\$1M	5%	\$150K	\$20M	\$3M	\$17M
4	\$1M	5%	\$200K	\$20M	\$4M	\$16M
5	\$1M	5%	\$250K	\$20M	\$5M	\$15M
			\$750K			\$15M

But an underperforming policy could add substantial cost to the owner.

Guidelines

Client profile
Funding
Collateral
Product design
Benefits and risks

■ Guidelines



Net worth
\$5M age \geq 51
\$2.5M age \leq 50
Annual income
\$250K all ages



Proposed insured must be able to pay the **minimum annual level premium**



Generally, **interest must be paid** as incurred annually or more frequently. Accrual can be considered if certain guidelines are met.



Well-defined loan payment plans and exit strategies

Guidelines

Client profile
Funding
Collateral
Product design
Benefits and risks

■ Guidelines



Foreign National

Wealthy global clients can finance their Lincoln policies



Multi-Life







Multi-Life cases can be financed with Lincoln



Term Conversions

Premium finance is available for term conversions

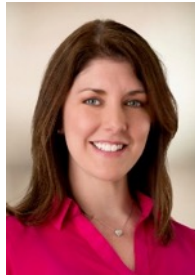
Commercial premium financing

 Client profile	Estate planning and/or SRP need Illiquid and/or wants to take advantage of low borrowing cost
 Funding	Borrows from a commercial lender Costs tied to LIBOR or PRIME
 Collateral	Required Policy values, assets, securities, etc.
 Product design	We typically design 7-10 pays HECV rider to minimize collateral Repay loan from policy values
 Benefits and risks	If performs as illustrated, protection for the cost of the interest If underperforms, considerable cost
 Guidelines	Premium finance cases must meet Lincoln's guidelines

Where to go next?

Premium finance

PremiumFinance@LFG.com



Michelle Sollosi

Premium Finance Consultant

Phone: 336-691-4529

Michelle.Sollosi@LFD.com



Till Ruggiero

Premium Finance Consultant

Phone: 336-691-4128

Till.Ruggiero@LFD.com



Jacob T. Fulkerson

Case Designer

Phone: 336-691-3235

Jacob.Fulkerson@LFD.com

Thank You

Important information

Lincoln Financial Group (LFG) does not recommend, endorse, sponsor or otherwise offer Premium Financing. LFG does not have an agreement with any Premium Financing organization, is not a party to the loan agreement and does not receive any form of compensation from any financing arrangement. There are risks associated with commercial Premium Financing including but not limited to interest rate risk, additional collateral requirements, additional loan renewal requirements and risk the lender could become insolvent. In addition, if the policy owner fails to repay the loan based on the terms, the loan could default and the insurance contact could lapse.

Issuers:

The Lincoln National Life Insurance Company, Fort Wayne, IN
Lincoln Life & Annuity Company of New York, Syracuse, NY
The Lincoln National Life Insurance Company does not solicit business in the state of New York, nor is it authorized to do so.

All guarantees and benefits of the insurance policy are subject to the claims-paying ability of the issuing insurance company. They are not backed by the broker-dealer and/or insurance agency selling the policy, or any affiliates of those entities other than the issuing company affiliates, and none makes any representations or guarantees regarding the claims-paying ability of the issuer.

Distributor: Lincoln Financial Distributors, Inc., a broker-dealer

Not a deposit
Not FDIC-insured
May go down in value
Not insured by any federal government agency
Not guaranteed by any bank or savings association

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates.

Affiliates are separately responsible for their own financial and contractual obligations.

Order code: LIF-PREM-PPT007
2/21 Z04

LincolnFinancial.com

