

Leveraged Planning® Program Overview



After working with his financial advisor, Michael calculated that he would need at least \$200,000 (pre-tax) per year for 25 years to retire comfortably. Michael and his advisors looked at several options. Michael's reduced appetite for risk meant that he needed a product that would also likely produce lower returns than he might have hoped to earn. Narrowing down his options, Michael found himself considering two: a more traditional savings vehicle and a program his advisor had introduced to him – Leveraged Planning.

Assuming he would earn a conservative rate of return in his retirement years, Michael expected he would need to have a "nest egg" of \$2,959,728 by age 65.

Looking at the traditional savings product, Michael assumed an annual return rate of 3% - at this rate, Michael would have to save \$78,815 after tax dollars each year in order to fully fund his future income expectations. Looking at it on a pre-tax basis, this meant that Michael would have to allocate \$131,358 every year for the next 25 years to meet his goal.

Over the coming 25 years, this meant Michael would be putting away \$3,283,942 pre-tax dollars in order to meet his future income goals if he used the traditional product.

The problem for Michael was clear: starting with nothing and using a traditional product offering meant that his money would have to work very hard to get him where he needed to be.

Examining the Leveraged Planning program, Michael found a somewhat different situation. With a Leveraged Planning program, Michael found that he could meet the same future lump sum amount (\$2,959,728) by putting away \$899,102 today earning 6% in a principal protected financial product offering downside protection and the opportunity for significant, market-indexed gains.

Using the Leveraged Planning program, Michael's firm would take out a simple interest-only commercial loan – one for which he was not personally liable. The firm, in turn, would service the loan with monthly payments of \$4,495 for an annual total of \$53,946. This meant that the total allocation over the subsequent 25 years was only \$1,348,653. Comparing the two options for funding his retirement income needs, the differences were very clear and compelling.



*Michael's retirement income
requirement for 25 years:*

\$200,000

*Total required lifetime
using traditional savings:*

\$3,283,943

*Total required lifetime
using Leveraged Planning®:*

\$1,348,653

Total lifetime savings using Leveraged Planning®:

\$1,935,290

Looking more closely at the program, Michael found there were several aspects of it that appealed to him in addition to there being no personal guarantee.

- The program utilizes insurance products from highly rated insurance and annuity carriers that have been carefully examined by the lender to insure minimal risk for the client's portfolio.
- The program is secure for the lender, who relies on collateralization from both the insurance product and the business' commitment.
- The program utilizes principal protected, equity indexed insurance products that gain value when the markets increase, but do not lose value when the markets declined.
- Lastly, the program provides for the return of funds put into it if Michael should have to terminate his participation early*.

In addition to the structural benefits of Leveraged Planning, Michael's program was designed in such a way that the return of the principal was built into the loan payments. This meant that even paying back the loan and earning enough to fully fund his future income needs, Michael still ends up paying far less over the next 25 years than he would have if he went with the traditional savings option he was considering.

Michael chose the Leveraged Planning program. He made this choice because his future income needs would be met, he would be protected from downside loss in the markets and he would be able to put his business to work funding his future personal financial needs. The combination of these factors made Leveraged Planning the clear choice for Michael.

Please contact us for more information:

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*Return of all paid in funds is not guaranteed and may be subject to early withdrawal penalties and other fees which can significantly reduce or eliminate earned gains.

Leveraged Planning®

OFFERED BY: STRATEGIC MARKETING FINANCIAL SERVICES



Overview

1. Leveraged planning is based upon using OPM (other people's money) to fund an Index Universal Life policy.
2. A loan is made to the client's corp. this can be any type of corporate entity (S corp , C corp. LLC, LLP, etc.).
3. Most client's choose to transfer the monies to the individual at a below market loan. Therefore, the primary loan is made to the corporation, then transferred to the individual, allowing the policy to be individually owned.
4. By using OPM, the client will experience immediate compounding growth on large premiums. This will translate to much larger cash values and death benefit in the future.

Advantages of a Corporate Loan

1. No personal guarantees. The client's personal assets are NEVER at risk.
2. The client uses PRETAX dollars from his corporate checking account to make simple interest payments. His taxable income is automatically reduced by structuring it in this fashion.
3. Approximately 90% of CPA's will allow for a deduction on the interest. This is justified because the client is merely paying interest on a corporate loan, and not life insurance.

Competition or Supplement to Current Strategies

1. This serves as a supplement to current strategies. The client is able to allocate some of the newly discovered funds from his tax savings, and use it towards this program.
2. He could use it for a very large TAX FREE income retirement vehicle and/ or a death benefit play. E.G. key man, buy sell, wealth transfer, second to die, charitable giving etc.
3. He could also use this in lieu of taking a yearly bonus. For example, instead of an additional distribution of 100k for the year, he could simply apply that same 100k towards this concept, and thereby never having taken the 100k as income. That, of course, would reduce his taxable income for the year.
4. We could also take over payments into existing policies or pay off loans outstanding on existing policies if it makes a positive economic impact on the client.

Advantages of Index Universal Life

1. Very high earning potential, as caps are usually around 13%., with no down side risk. They also offer participating loans. The client is, therefore, able to build a large positive arbitrage.
2. Allows the client to take large TAX FREE loans and thereby dial down the death benefit, if so desired.

Additional Advantages of Funding Program

1. Client does NOT need to re-qualify every year.
2. Net worth requirements have a low minimum. Only one mil.
3. Lender currently has approximately 1.5 billion in loans on the books.
4. Provide many additional resources and support: Including power point presentations for clients, calls to CPA's, attorney, IRS etc.
5. Own in house lender. Able to negotiate the best possible interest rates for the client.
6. Has many interest rate options including LIBOR , Prime, fixed etc. Client has the ability to switch options at any time.

Problems the Program Solves

1. Provides a safe, secure solution with large upside earning potential.
2. Further reduction of taxable income A much larger tax free income stream and/or death benefit for a much smaller cost.

Know Your Leveraged Planning® Prospect

OFFERED BY: STRATEGIC MARKETING FINANCIAL SERVICES

MARKET SPACE

- Business Owners
 - Business Succession Planning
 - Looking to fund buy-sell agreements
 - Looking to fund key man insurance
 - Looking to fund executive NQ compensation
 - Supplement retirement income: maxed out current plan
- High Net Worth Individuals
 - Provide death benefit for heirs/estate
- Persons/Businesses refinancing existing debt

AGE

40 - 65

(ideal ages, but many clients fall outside of this range)

POTENTIAL CLIENT PROFILE

- Understand risk and has used leverage to create wealth or acquire assets
- Believe that they achieve a better return by investing in their business / outside sources than by using personal or business funds to make the life insurance purchase
- Is looking for consistency, longevity, and to retain their privacy
- May have a large loan on an existing policy and has the continued need for life insurance
- Entering the end of the term conversion period who has a continued need for life insurance

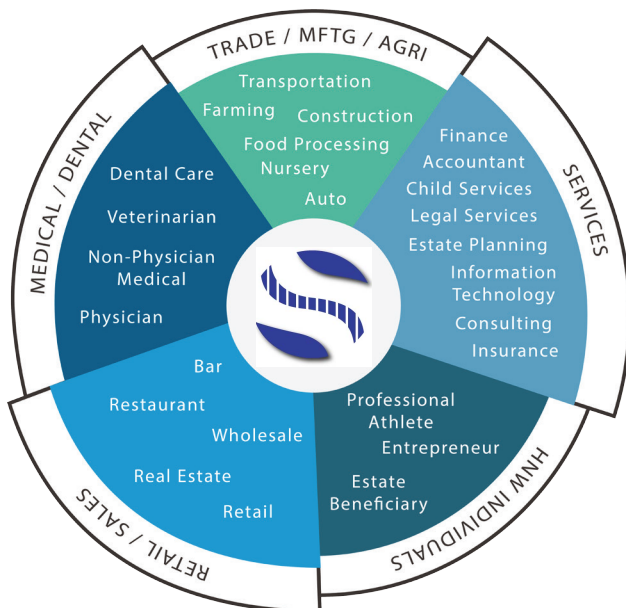
FINANCIAL SPECIFICS

Minimum Net Worth ➤ **\$1.5mm**

Minimum Annual Income ➤ **\$150,000**

Minimum Annual Planned Premium (Advance) **\$50,000**

A LOOK AT OUR CLIENTS



ABOUT SMFS

The Advisors To The Advisor

We at Strategic Marketing Financial Services, Inc. (SMFS) Work with Financial Professionals, Independent Life Insurance Producers, CPAs, and Tax Attorneys, namely the team of "Trusted Advisors". We provide you with specialty advice and solutions to help fund your client's needs and reduce the amount of unnecessary taxes they pay.



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Features and Benefits

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BENEFITS OF WORKING WITH SMFS

- SMFS is partnered with preferred lenders
- Customized design based on each client's needs
- Client-centric personalized portal for agents
- Customizable marketing materials including print and online materials (websites too)

LEVERAGED PLANNING® SOLUTION LOAN BENEFITS

- Generally no personal guarantees
- 10 yr loan - total loan amount committed up front so **no annual "re-underwriting"**
- Loans typically underwritten in 48 hours or less
- 100% of CSV applied towards collateral
- Multiple collateral sources accepted
- Competitive rates with various interest rate options available
- One time free switch*
- Minimum annual loan size: \$50k
- Customized payment/participation options
- Accommodate all corporate tax structures
- Variety of exit strategies available
- Ideal for accomplishing a broad range of business planning strategies

LOAN SERVICING BENEFITS

- No recurring or annual fees
- Year end plan administration prepared for your client and their CPA
- Client portal provides access to important annual reports

Clients are permitted one "material" change to their loan terms free of any charge during the term of the loan. Examples include: changes to rate base (i.e. Prime vs. LIBOR), changes to payment structure (i.e. fixed vs. variable), etc. Please speak with a GFD representative for more details.

*



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