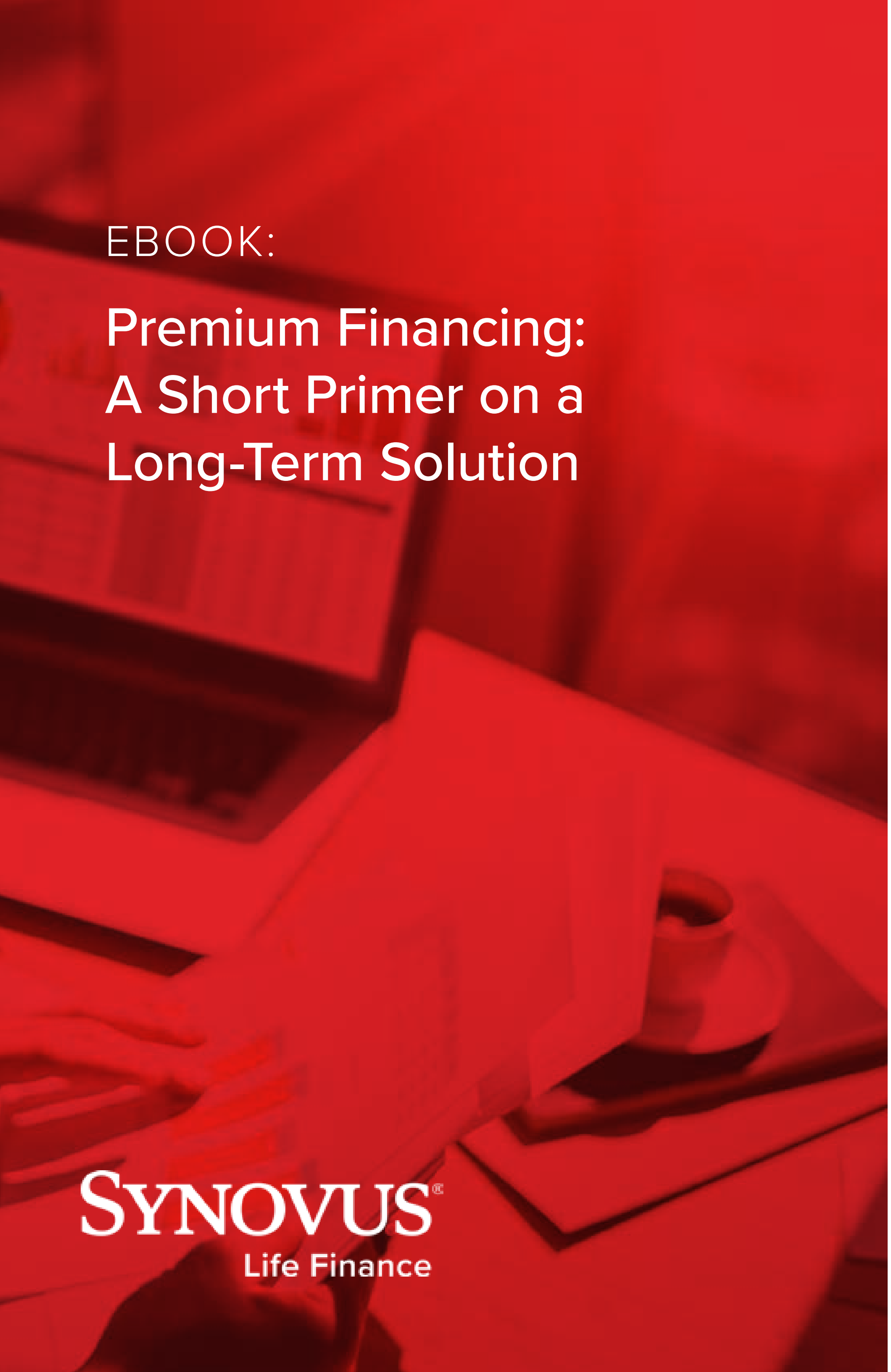
EBOOK

PREMIUM FINANCING:

A Short Primer on a Long-Term Solution

SYNOVUS®
Life Finance



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Introduction

Of all the forms of coverage, life insurance just might be the most versatile. Whether the use is more traditional, like final expenses, or more specialized for business owners – such as executive compensation – life insurance serves as a solution to a myriad of needs.

As a high-net-worth individual or business owner, you may not have adequate capital to pay the premiums of a high-value life insurance policy. In most cases, the funds are already allocated elsewhere to increase your overall portfolio or grow your business.

That's where premium financing can help. In this guide, you'll learn all about premium financing – why it's a smart solution, how it's structured, the collateral required, and why Synovus Life Finance is your premier source for high-touch life insurance premium financing.

What is premium financing?

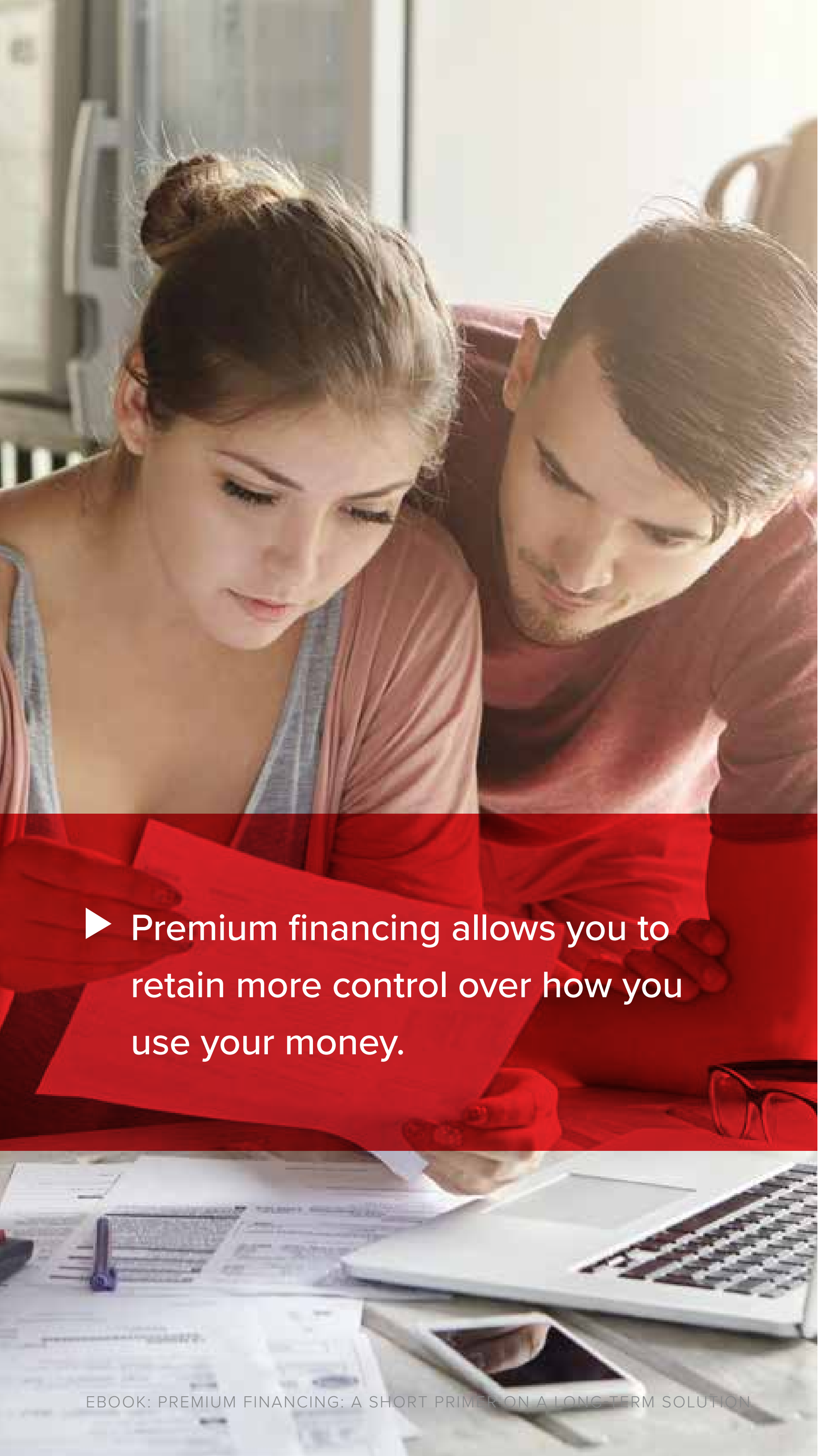
Although it may sound complicated, premium financing is very straightforward: It's the process of borrowing money from a third party to pay the premiums of a high cash value life insurance policy.

Borrowing the funds allows you to hold on to more of your own money so it can continue to function in its present capacity and otherwise avoid liquidating your assets. High-net-worth individuals and successful entrepreneurs – having investable assets of at least $5 million – tend to be the best candidates for this type of loan arrangement.

Life insurance premium financing is a tool that creates solutions. Aside from covering the cost of premiums, here's a partial list of what premium financing can help you pay for:

- Buy-sell arrangements
- Key-person financing & retention
- Deferred executive compensation
- Business succession
- Estate planning
- Group life insurance policy funding

And that's just the beginning ...



▶ Premium financing allows you to retain more control over how you use your money.

Why is premium financing a smart solution?

Let's say you have the available capital to pay the cost of premiums. Does a premium financing strategy still pay off? It absolutely can. More than anything else, premium financing allows you to retain more control over how you use your money.

Instead of committing a substantial amount of personal assets, those funds can be put toward other productive purposes that can allow your earnings to grow. Thus, borrowed funds create more purchasing power and reduce the amount of time necessary to build up a policy's cash value.

Additionally, there are potential tax advantages through premium financing. Depending upon the structure of the initial loan arrangement, you may be able to put the funds toward business or personal retirement planning strategies in a tax-advantaged manner.

How is a life insurance premium financing plan structured?

Loan arrangements tend to vary depending on the circumstances of who is borrowing and what the funds will be used for. But generally, the process goes something like this:

1. Upon loan approval, the trust (in the case of a high-net-worth individual) or business owner borrows the funds from the lender to service the premiums.
2. The borrower then repays the lender according to the arrangement mutually agreed upon by the two parties – repayment is most often on a simple interest, or negative amortizing basis.
3. Traditionally, the cash value of the policy constitutes a substantial portion of the assets pledged as collateral for the loan, but in some cases, the lender may request that additional collateral be posted to secure the loan.
4. When the loan term expires, the borrower has the option of paying off what's left of the principal amount through outside funds, with the accrued cash value of the policy itself or automatically extend the loan term.

Key reminders about cash value

Withdrawing cash from the policy itself is a simple way to pay off the principal without tapping other capital. It's important to be mindful of a few things about cash value so you can yield the most from it.

As a hedge against inflation, you may want to choose an index that can produce the returns necessary for whatever collateral arrangements are established. If you're averse to risk, early cash value riders can enhance liquidity, often as soon as the policy goes into effect.

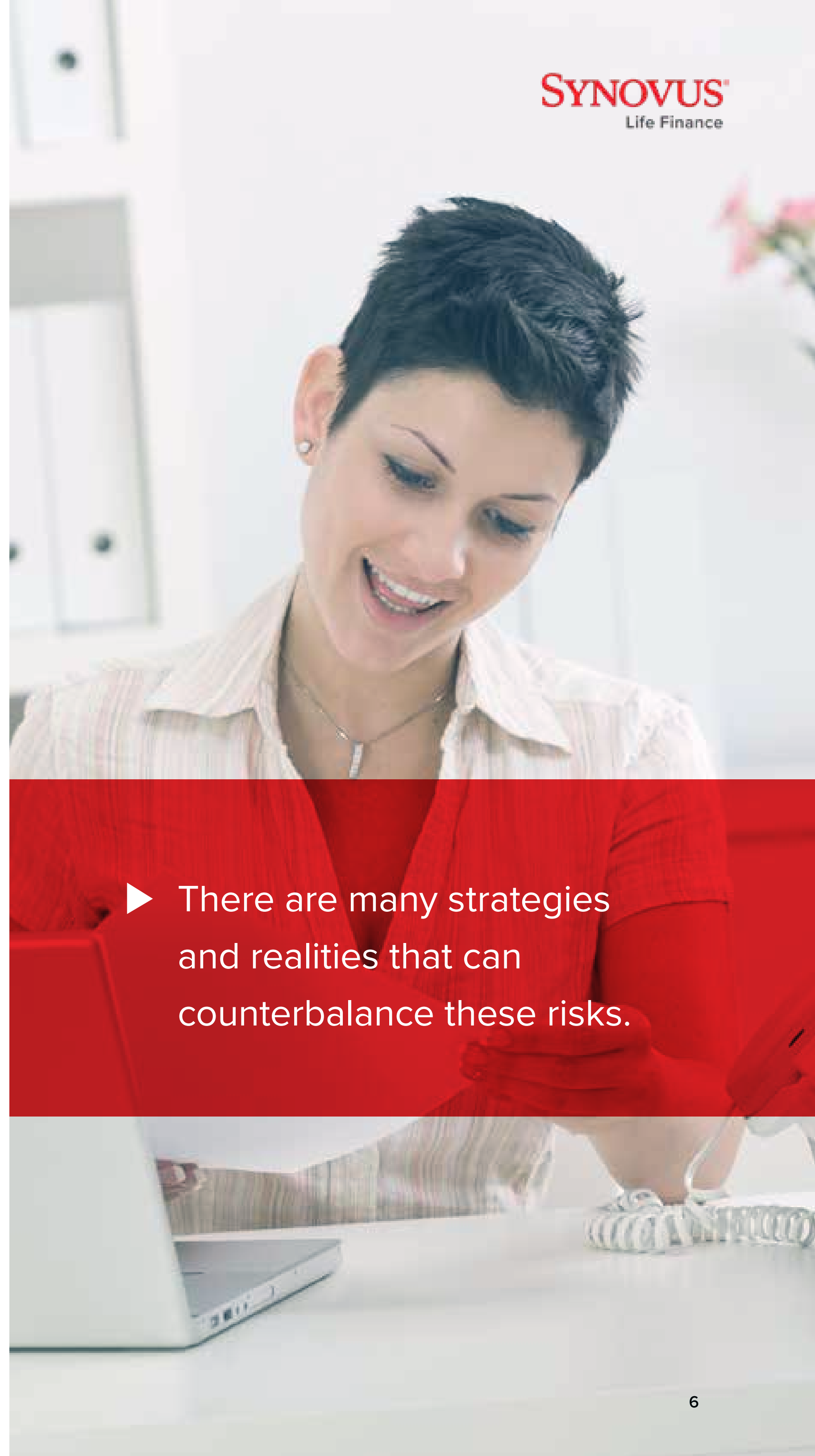
You'll also want to be mindful of the crediting method. An annual structure can stimulate cash values at regularly occurring intervals – this will free up the collateral that's needed should you choose to extend the loan.

How do I offset risk?

There is risk involved in any borrowing arrangement, and premium financing is no exception. Chief among those risks is the chance of interest rates rising, which would potentially weaken the buying power/value of your borrowed funds. However, there are many strategies and realities that can counterbalance these risks.

One option to reduce risk would be to choose a fixed-rate loan, which locks in your rate in perpetuity. Additionally, risk is mitigated by the use of leverage, which frees up more of your assets that can be put to productive use elsewhere.

This safety net can help address scenarios wherein the balance owed is more than the loan is worth should the policy underperform.



What can I use for collateral?

Just as all borrowing arrangements entail some level of risk, they also all require some form of collateral in the off chance the loan amount can't be fully paid back. You have many asset options. In some instances, the cash surrender value (CSV) of the policy may be sufficient. If additional collateral is necessary, lenders often accept the following:

- Brokerage/trading accounts (on a select basis)
- Government-issued securities
- Cash value of separate, already existing life insurance policies
- Letters of credit by a certified financial institution
- Cash

Why SLF is your go-to lender

At Synovus Life Finance, we're the undisputed leader in customized, high-touch life insurance premium financing. We put our clients first, placing them in the proverbial driver's seat from start to finish with unparalleled flexibility. Others may say the same, but we can back it up by letting our customer-focused policies do the talking for us.

SLF typically will not require a personal guarantee for business owners. The cash value of the policy is sufficient collateral. Additionally, should borrowers need to switch interest payment styles at any point over the loan term, they're free to do so – and if it's only once, there are zero refinance fees. We also include no annual origination, maintenance, trust or legal fees to set up a premium financing arrangement.

What's more, SLF specializes in speed. In as little as three business days, you'll have a rate offer, powered by our parent company, Synovus Bank and its family of companies. Tracing back to the 1800's, Synvous Bank has provided stable, reliable, short- and long-term funding to individuals, business owners and families throughout the Southeast, and has now grown to over– $60 billion in assets.

In short, the combination of flexibility, reputation, experience and stability makes SLF a no-brainer for your premium financing needs.

▶ Contact us today to get started.

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