

What is Bridge Gap Funding?

Bridge Gap Financing is a policy design that captures an individual's insurability now, while also providing the option to fully fund the policy in later years.

The ability to finance the premium enables the client to defer the payments until the client:

- A. Client has decided to pay premium.
- B. Client decides that he would rather finance the premium payments.
- C. Or a combination of both out of pocket and finance.
- D. The client's insurance need has changed due to estate planning techniques which have reduced the total estate.

Typical Design:

We typically design a policy to go 6 to 8 years. But the Insured can tell us how long they want before they have to make that decision, and will fund the policy with enough premium to accomplish that goal. Because the policy is financed we can accrue the premium and interest, thus lowering the over all out of pocket cost to the client.

Advantages:

1. At any time after the policy has been funded, the client has the option to:
 - Pay the loan off
 - Let loan accrue and pay premiums to keep policy in force
 - Refinance the loan to keep the policy
 - Combination of client pay and bank financing
2. Current market loan interest rate is LIBOR plus Bank rate. (other currency options)
3. Loan origination fees contingent on the Lender used.
4. Client must post collateral beyond the policy surrender value.
5. At any time you can surrender the policy to help pay off the outstanding loan.

Premium Financing Illustration

Premium Financial Inc.

Sample
UNIVERSAL LIFE
Standard: 70
LIBOR RATE 6.30%
POLICY CREDITING RATE 4.75%

Accrual BG Funding
Target Net to Client at Death \$5,000,000
Loan Arrangement fee 1.25%
Letter of Credit 1.50%

Year	Age	- 1 - Annual Premium	- 2 - Cumulative Loan	- 3 - Interest on Loan 6.30%	- 4 - Interest Paid Out-of-Pocket	- 5 - Interest Paid from Policy	- 6 - Interest Accrued 6.30%	- 7 - Policy Distributions to Pay Loan	- 8 - Cash Surrender Value	- 9 - Total Death Benefit	- 10 - Additional Collateral Required 100%	- 11 - Death Benefit Net of Loan	- 12 - Out of Pocket Costs	- 13 - Internal Rate of Return
1	71	514,130	546,520	32,390	0	0	32,390	0	513,025	5,546,520	(33,495)	5,000,000	(13,356)	37337.27%
2	72	514,130	1,127,470	66,821	0	0	66,821	0	956,005	6,127,470	(171,465)	5,000,000	(2,572)	1825.27%
3	73	0	1,198,501	71,031	0	0	71,031	0	948,226	6,198,501	(250,275)	5,000,000	(3,754)	613.07%
4	74	0	1,274,007	75,506	0	0	75,506	0	894,011	6,274,007	(379,995)	5,000,000	(5,700)	333.03%
5	75	0	1,354,269	80,262	0	0	80,262	0	881,925	6,354,269	(472,344)	5,000,000	(7,085)	220.60%
		1,028,260		326,010	0	0	326,010	0						
6	76	0	1,439,588	85,319	0	0	85,319	0	861,303	6,439,588	(578,285)	5,000,000	(8,674)	162.11%
7	77	0	1,530,282	90,694	0	0	90,694	0	828,151	6,530,282	(702,131)	5,000,000	(10,532)	126.80%
8	78	0	1,626,690	96,408	0	0	96,408	0	779,986	6,626,690	(846,704)	5,000,000	(12,701)	103.34%
9	79	0	1,729,171	102,481	0	0	102,481	0	713,187	6,729,171	(1,015,984)	5,000,000	(15,240)	86.67%
10	80	0	1,838,109	108,938	0	0	108,938	0	623,313	6,838,109	(1,214,796)	5,000,000	(18,222)	74.23%
		1,028,260		809,850	0	0	809,850	0						
11	81	0	1,953,910	115,801	0	0	115,801	0	497,679	6,953,910	(1,456,230)	5,000,000	(21,843)	64.59%
12	82	0	2,077,006	123,096	0	0	123,096	0	348,091	7,077,006	(1,728,915)	5,000,000	(25,934)	56.89%
13	83	0	2,207,857	130,851	0	0	130,851	0	170,908	7,207,857	(2,036,950)	5,000,000	(30,554)	50.58%
		1,028,260		1,179,598	0	0	1,179,598	0						

Premium Financing Illustration

Premium Financial Inc.

Sample Female
UNIVERSAL LIFE
Standard: 75
LIBOR RATE 6.60%
POLICY CREDITING RATE 4.35%

Accrual BG Funding
Target Net to Client at Death \$5,000,000
Loan Arrangement fee 1.25%
Letter of Credit 1.50%

Year	Age	- 1 - Annual Premium	- 2 - Cumulative Loan	- 3 - Interest on Loan 6.60%	- 4 - Interest Paid Out-of-Pocket	- 5 - Interest Paid from Policy	- 6 - Interest Accrued 6.60%	- 7 - Policy Distributions to Pay Loan	- 8 - Cash Surrender Value	- 9 - Total Death Benefit	- 10 - Additional Collateral Required 100%	- 11 - Death Benefit Net of Loan	- 12 - Out of Pocket Costs	- 13 - Internal Rate of Return
1	76	624,429	665,642	41,212	0	0	41,212	0	622,630	5,665,642	(43,012)	5,000,000	(13,451)	37073.22%
2	77	400,000	1,135,974	70,332	0	0	70,332	0	950,082	6,135,974	(185,892)	5,000,000	(2,788)	1817.70%
3	78	0	1,210,948	74,974	0	0	74,974	0	894,521	6,210,948	(316,428)	5,000,000	(4,746)	610.56%
4	79	0	1,290,871	79,923	0	0	79,923	0	775,207	6,290,871	(515,664)	5,000,000	(7,735)	331.31%
5	80	0	1,376,069	85,197	0	0	85,197	0	701,646	6,376,069	(674,422)	5,000,000	(10,116)	219.04%
		1,024,429		351,638	0	0	351,638	0						
6	81	0	1,466,889	90,821	0	0	90,821	0	603,785	6,466,889	(863,104)	5,000,000	(12,947)	160.54%
7	82	0	1,563,704	96,815	0	0	96,815	0	475,396	6,563,704	(1,088,308)	5,000,000	(16,325)	125.15%
8	83	0	1,666,908	103,204	0	0	103,204	0	310,952	6,666,908	(1,355,957)	5,000,000	(20,339)	101.58%
9	84	0	1,776,924	110,016	0	0	110,016	0	102,584	6,776,924	(1,674,341)	5,000,000	(25,115)	84.77%
		1,024,429		752,494	0	0	752,494	0						

For educational purposes only. Insurance values are not valid without complete ledger illustrations and prospectuses. Insurance values are based on current insurance company mortality charges, expenses, and taxes. Investment returns and insurance values are based on projections and are not guaranteed or estimates of the future. Distributions from the policy are through withdrawals to basis then loans. If the policy lapses or is surrendered, the distributions received over the life of the policy and at termination that are in excess of total premiums paid may be taxed as income.

Column 12 Fee Estimation:

Associated fees for this projection come from the 1% arrangement (due the first year), 1% every 5 years for loan renewal fee, and an estimated 1.5% for a letter of credit that is charged in the years requiring a letter of credit. If interest is being paid out of pocket this amount is also included.