



Funded Insurance TrustTM

A Unique Alternative for
Families and Businesses to
Create Tax Free Capital*

*FIT does not replace any estate planning previously done
but instead it may be a “bolt on” to an existing plan.

Introductory Disclaimer

The following presentation is for educational purposes and analysis only.

It is not an estate plan analysis or a formal offer of life insurance coverage.

Estate planning should be coordinated with your legal and accounting advisors, and a formal offer of life insurance may only be extended after medical and financial underwriting are completed.

Funded Insurance Trust™ (“FIT”)

- **FIT does not replace any estate planning previously done**, it is a “bolt on” to an existing plan that provides additional tax-free capital and liquidity that complement the clients existing plan.
- Capital is created in the trust using high cash value, very large life insurance policies. The largest individual policy approved and issued so far was \$100 million with one insurance company, and our average individual policy is about \$20 million.
- The unique advantage of the program is **clients do not make any payments.**



Funded Insurance Trust™... no payments

- Participants put no money into the program except \$10 for consideration in some instances.
- There are no life insurance premium payments made by approved participants since premiums are paid from the capital markets.
- There is no loan interest paid by approved participants:
 - Interest is paid from the capital markets for first 10 years, and then from the life insurance policy.
- ***Collateral is required*** by the program banks we work with to back the transaction.
 - Since the program bank will have a first lien on the assets used as collateral, other potential claims against the assets are abated.



Funded Insurance Trust™

- FIT is a turn-key irrevocable life insurance trust: all documents are ready.
- For families it is designed as a spendthrift, creditor and predator proof trust.
- For businesses it is a separate asset off the balance sheet and it is not subject to outside creditors or bankruptcy.
- FIT is structured using a proprietary processing methodology to complete the entire transaction within 75-90 days: if it is truly in the best interest of the candidate then our job is to get the transaction done as efficiently as possible.



While FIT may sound new to you, it's proven...

- Launched in 2009 in Fort Worth, Texas: available primarily in TX until 2019.
- Minimum policy size \$10 million.
- Average case size is about \$20 million in financing.
- Largest individual life policy to date \$100 million.
- Over \$5 billion of capital markets instruments are issued and outstanding.
- No collateral has been demanded to satisfy the backing of the transaction.
- Some participants have passed away and when they did, the collateral was released.

FAQ: “This seems too good to be true...?”

It is really good, but not too good to be true:

1. There must be a valid reason to acquire the life insurance policy on the insured.
2. This is not “free life insurance.” Collateral must be posted for a period of time to back up the financing.
3. A trust or other entity needs to be created and must be kept up to date to back the financing and own the policy.
4. Insured must go through medical and financial underwriting: not everyone qualifies.
5. None of our partners- the banks or life insurance companies or mutual fund companies or bond houses or law firms- would touch this transaction if it were too good to be true.

Funded Insurance Trust™ Primary Uses...





Estate Planning

The trust is structured outside of your estate.

There are no ongoing payments into the trust so there are no gift taxes, there is no use of the Unified Credit, there are no disclosure or Crummey letter requirements and there are no premium or interest payments made to acquire life insurance.



Fund Buy-Sell Agreement

Agreements are not funded because the business owners do not want to divert profits or cash flow to life insurance premiums or an escrow account to mitigate the risk of an owner passing away.

The trust does not require any payments to be made so cash flow and profits are not impacted.

A close-up, low-angle shot of a classical building facade, likely a bank. The word "Bank" is prominently displayed in large, gold-colored, serif capital letters on a dark brown stone or metal surface. Above the letters, there are decorative architectural elements like cornices and pilasters. The lighting is dramatic, with strong highlights and shadows.

FAQ: Will I lose my collateral?

Since 2009...


1. No collateral used has been demanded by the program bank to satisfy any debt.
2. Some participants still posting collateral have passed away. When that happened, the bonds were paid off immediately which then meant no letter of credit was needed, so the bank released the assets being used as collateral.
3. There are circuit breakers in the letter of credit agreement with the program bank that provide alternatives to protect the collateral while maintaining the financial integrity.



FAQ: Why doesn't everyone do this?

- **Not everyone qualifies medically**
 - They may qualify medically for life insurance but their health makes financing a policy impossible
- **Not everyone qualifies financially**
 - This is a program that is unavailable and out of reach for people who do not have a net worth of at least \$10 million

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- This is a cashless collateralized transaction: no payments
 - No gift tax, no income tax, no estate tax, no Crummey letters or disclosure required
 - Started in 2009 and has over \$5 billion supporting policies
 - It has been vetted by banks, insurance companies, law firms, CPA firms and bond houses as an approved transaction
 - No collateral has been lost by participants
 - Not everyone qualifies



What are the Next Steps?

If interested, see if you can qualify by:

- 1. Have a preliminary illustration of life insurance coverage and the financing run for you.*
- 2. Review the preliminary financing structure that is based on the insurance coverage.*
- 3. Decide to move forward with a formal offer of coverage to see what the real financing structure will look like.*

There is no obligation to see if you qualify.



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