Leveraged Planning®:
BUY-SELL

THE SITUATION: Steven Coles, 55

Mr. Coles needed an exit strategy for himself when the time came to sell his company. Implementing a buy-sell plan was the clear solution, but a funding source was still in question.

THE SOLUTION: Leveraged Planning®

Mr. Coles chose to fund his buy-sell plan using a high cash value life insurance policy. This would provide him adequate income after the sale while retaining financial flexibility in the intervening years.

Mr. Coles company takes out a Leveraged Planning loan to fund the premiums for the life insurance policy. The use of a commercial loan allows the company to retain capital and provides an efficient source of premium funding. The owner and beneficiary of the policy is an irrevocable life insurance trust (ILIT) formed for Mr. Coles.

Over the first five years, the LLC will borrow the required premium payments to fund the life insurance policy. The initial death benefit is $15,000,000 and the total loan amount is $4,860,530. Once the policy is fully funded, the LLC will make simple interest payments of $11,678[1] monthly. The LLC elects to continue to make simple interest payments for the remainder of the loan term. At the expected time of sale of the business (when Mr. Coles is 75), the policy is illustrated to generate annual income of $1,735,190 for 20 years. This expected income stream - and the relatively low cost of acquiring it - means that the business is able to fund Mr. Coles future financial needs and he is free to focus on the company.

The Leveraged Planning solution created by GFD for Mr. Coles is designed to provide retirement income following the sale of his business. Several exit strategies are available - including providing for payoff from the policy's cash value.

Mr. Coles' buy-sell plan will be implemented using a high cash value life insurance policy with a Leveraged Planning loan to fund the premiums. The loan enables flexibility for the firm and security for Mr. Coles.

1 All clients must confer with their financial and tax advisors on deductibility or tax treatment matters. GFD does not provide tax advice. In this case, the LLC elected to deduct the payments. The monthly gross payments were $17,921.

- The client's loan utilized a floating interest rate based on the 1 year LIBOR rate plus spread.
- Policy growth assumed as illustrated
- Results will vary depending on interest rates and policy crediting rates. Mr. Coles is a hypothetical client, plan specifics are based on actual loan and insurance policy illustrations.

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Tom Rutkowski 561-676-8982
tom@InnovativeRetirementStrategies.com