Premium Financing

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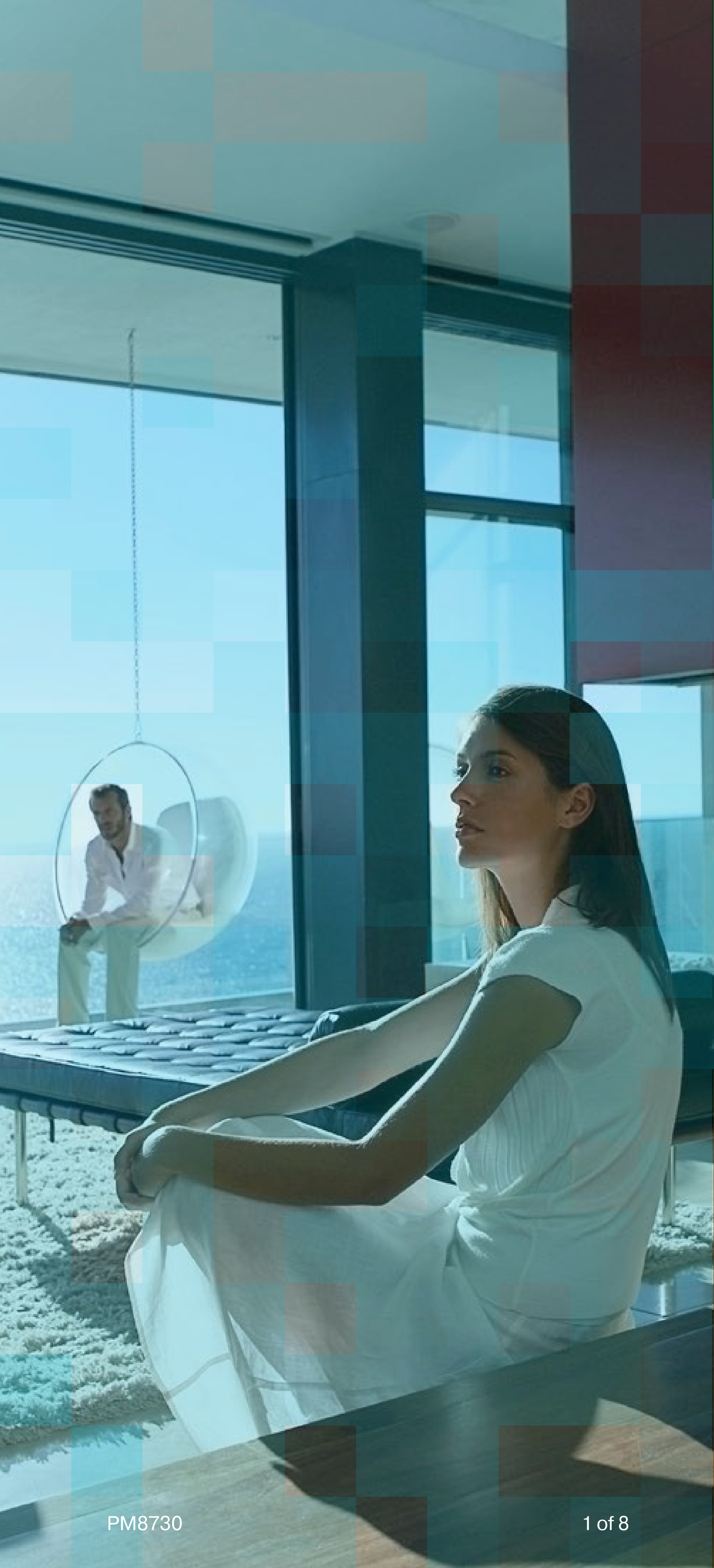

Premium Financing

Funding your life insurance policy while preserving your wealth

You've earned a significant amount of wealth that you want to preserve and pass on. While life insurance can help accomplish this, in some instances, the level of life insurance you need might require you to liquidate a portion of your assets to pay the life insurance policy premiums. Fortunately, there's a solution.

Premium financing explained

What it is

Premium financing is an effective strategy in which you leverage a lender's capital to pay your annual policy premiums instead of liquidating assets to pay them. This allows you to retain a significant amount of capital to maintain or make investments, preserve savings or meet cash flow needs. Premium financing shouldn't be the reason you buy life insurance, but it can be an effective method of paying for life insurance.

And, if your life insurance policy performs favorably, you could potentially earn a higher level of interest from your policy than the interest you pay for the loan.

Who should consider it

Individuals, corporations, trusts and partnerships with a minimum net worth of $15 million in assets that need a significant amount of life insurance for personal, estate or business planning purposes.

Penn Mutual's diverse portfolio includes a range of products that offer options and business provisions that can be pared with the premium financing strategy to meet your planning needs.

What are the biggest advantages of premium financing?

With premium financing you're able to:

Obtain a significant amount of life insurance with limited, upfront out-of-pocket costs.

Preserve, maintain and build assets in your existing portfolio instead of using those assets to fund your life insurance policy.

Leverage your annual gift-tax exclusions or lifetime exemption to transfer other assets estate-tax-free.

Minimize or eliminate gift taxes on policy premiums if the policy is owned by an irrevocable trust.

Use your policy's cash value as part of the collateral for the loan.[1]

Another advantage is that if you have sufficient collateral, you can purchase your life insurance policy by paying only interest to the lender.

[1]Additional collateral will be required to secure the loan.

How does premium financing work?

Premium financing involves an arrangement through which you borrow money at a competitive interest rate from a third-party lender to pay your life insurance premiums.

The process goes like this:

You apply for a loan to finance your premiums at the same time you apply for a life insurance policy.[1]

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If the insurance application and loan are approved, the lender pays the premiums to the insurance company.

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Your policy's cash value, combined with other assets, serve as loan collateral and the death benefit is assigned to the lender to cover the outstanding loan in the event of death.

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You pay interest payments to your lender.

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At your death, your beneficiaries receive any remaining balance of your policy after the loan has been repaid.

[1]Approval is not guaranteed.

What are some things to keep in mind before choosing premium financing?

Final eligibility for premium financing will be based on meeting financial and medical requirements for the life insurance policy and premium finance loan.

You will need to consult with your legal and tax advisors to understand potential tax implications, including estate, gift and income tax.

Loan interest rates can increase, which would result in higher loan interest payments than originally planned.

Policy credited rates can fluctuate, which may require additional collateral for a loan.

Lower than anticipated policy performance may require the need to borrow additional premiums to fund the policy.

Why Succession Capital Alliance?

As pioneers in premium financing, Succession Capital Alliance (SCA) has been helping high-net-worth individuals and business owners maximize the value of their life insurance assets through premium financing for over 25 years.

As an industry leader, SCA leverages relationships with top lenders to secure highly competitive loan rates and support premium financing solutions even in the most challenging economic environments. Through its Maximum Capitalization Strategy℠ model, SCA can structure a unique premium financing solution to meet your objectives.

SUCCESSION CAPITAL ALLIANCE™

What is Capital Maximization Strategy (CMS)?

CMS is an innovative, customizable premium financing strategy developed by Succession Capital Alliance. With CMS, you borrow using a multi-lender platform that has been orchestrated by Succession Capital Alliance for the purpose of providing the most competitive terms and rates from nationally recognized lenders.

CMS can be used for:

- Estate planning
- Business planning
- Potential asset accumulation
- Asset protection

Your financial professional and Succession Capital Alliance will help you identify life insurance product that can meet your specific planning needs, such as a permanent life insurance policy offered by The Penn Mutual Life Insurance Company.[1] As a leader in the industry, Penn Mutual has a long history of financial strength and a diverse portfolio of competitive life insurance products to help meet your unique needs.

Work with your financial professional and Succession Capital Alliance to explore the many ways premium financing can help you achieve your unique planning and life insurance goals.

[1]Succession Capital Alliance is not affiliated with The Penn Mutual Life Insurance Company (Penn Mutual). Penn Mutual does not provide tax or legal advice.

Succession Capital Alliance has extensive experience helping clients obtain the life insurance they need through premium financing. Through its relationships with the top premium finance lenders in the industry, Succession Capital Alliance is able to deliver customized premium financing solutions that meet the unique needs of high-net-worth individuals and business owners.

Penn Mutual helps people become stronger. Our expertly crafted life insurance is vital to long-term financial health and strengthens people's ability to enjoy every day. Working with our trusted network of financial professionals, we take the long view, building customized solutions for individuals, their families, and their businesses. Penn Mutual supports its financial professionals with retirement and investment services through its wholly owned subsidiary Hornor, Townsend & Kent, LLC, member FINRA/SIPC.

This material is intended to provide an overview of the concept described. The companies, their subsidiaries and their representatives do not provide tax or legal advice. You should seek advice from your trusted tax, financial and legal advisors about your situation.

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