

**Female age 70, Preferred Plus Non-Smoker  
 Purchasing \$10,000,000 of life insurance protection.**

**Typical Way**

Using your own money to  
 pay life insurance  
 premiums

**Leveraged Way**

Using “other people’s  
 money”

**Cumulative Cost  
 over 18 years LE**

**\$ 4,649,400**

**\$ 1,466,964\***

Annual Premium of \$258,300

(savings = \$3,182,436)

**IRR**

**7.59%**

**21.24%**

**Cash Flow Discount**

**68%**

\* Interest only cost assuming a 3.75% borrowing rate

**What is CMS Traditional Premium Financing?**

Premium Financing is a strategy that utilizes a third party lender to provide funds to pay large life insurance premiums, which reduces the outlay to just the interest payments. This technique allows the borrower to purchase the needed life insurance protection without liquidating assets to pay premiums. It may also reduce the gift to an Irrevocable Trust for estate planning purposes. High net worth individuals utilize life insurance and rely on well trained life professionals who know their product line and have a firm understanding of estate planning techniques. Premium financing is a tool used by these professionals to maximize the value of the client’s premium dollar allocation.

## Succession Capital Alliance (SCA)

SCA is the exclusive provider of the Capital Maximization Strategy (CMS) program. SCA was created with a vision to redefine the way the industry thinks about and communicates the economic value of life insurance, and the ability to leverage its purchase in both estate and business planning applications for the high net worth client. SCA works closely with financial advisors, including CPAs, Attorneys and Investment Managers to provide guidance and direction in the effective use of leverage when purchasing life insurance.

## Five Key Principles

To maximize success when using the CMS program, it is important to understand that high net worth clients make financial decisions based on the following five key principles when it relates to premium financing:

**Leverage** – *The ability to procure a large asset (death benefit) with a smaller one (debt interest). By borrowing the money to pay life insurance premiums, the borrower own a substantial asset (the death benefit) while keeping other capital free for potential returns.*

**Value** – *Received in return for a purchase or investment. Using CMS, your clients receive the value of the life insurance protection and maintain the value of their cash flow, investments or other assets.*

**Internal Rate of Return** – *Measuring the cost efficiency of a life insurance purchase (cost vs. return). Your high net worth client's advisors commonly use the IRR calculation to determine the economics of the life insurance purchase. By comparing the IRR of a premium financed policy to a cash paid policy, you can demonstrate the power of premium financing and leverage.*

**Arbitrage** – *The difference between the cost of funds (debt interest) and investment return. In a substantial life insurance sale using CMS, you need to establish the current yield that your client may be receiving from a business, an asset or investment portfolio to demonstrate the arbitrage value. Comparing the cost of borrowing to the crediting rate or dividend within the life insurance policy does not provide an apples-to-apples measurement.*

**Flexibility** – *Balancing debt and investments to manage change. Today's diverse and changing economy demands flexibility - a key ingredient in any financial plan or estate plan. The CMS programs offer loans that allow borrowers to:*

- *Change funding pattern*
- *Exchange one form of collateral with another*
- *Pay premiums in cash or borrow*
- *Pay off all or part of the loan at anytime without penalty*

## Capital Maximization Strategy (CMS)

CMS is the largest and longest running traditional premium financing program in the insurance industry and is recognized by life insurance carriers, accounting firms, and legal firms as the most desirable program to utilize for estate and business planning purposes. **CMS's multiple lender platform** allows for design flexibility and feasibility to meet the specific needs of the client. Since its introduction in 1996, CMS is responsible for **placing over \$26 billion** of life insurance protection with a financed premium portfolio that exceeds **\$2.5 billion**. CMS continues to provide significant benefits to clients for estate and business planning purposes.