Life Insurance for Seniors can be a very intelligent purchase, but it can also be costly

by Editor

Insurance can be a very intelligent purchase, but it can also be costly. Out of convenience or economic necessity, many people finance their insurance premium. Before you decide to finance an insurance policy, you should understand how the process works. It is also important to compare costs, just as you would with any purchase. Even slight differences in the terms of the premium financing agreement can make a big difference to your financial bottom line.Financing Life Insurance allows people with high net worth to purchase insurance without liquidating other profitable investments or otherwise changing their normal cash flow situation. Through this innovative financial arrangement, qualified clients borrow the funds to pay the life insurance premiums. They protect the net worth they have built up and pass their financial legacy to future generations. Eligibility for Premium Financing Because of it complexity, premium financing is not for everyone. If you have financially sophisticated clients with skilled tax and legal advisors, this strategy may be appropriate for them. Also, your clients must meet certain eligibility requirements. To qualify for a premium financing arrangement, clients should demonstrate the following; * A need for life insurance. * Have a minimum net worth of $5,000,000 ($10,000,000 preferable) or more. * Have verifiable annual income in of $200,000 or more. * Have liquid assets sufficient to pledge as collateral for the loan. * Meet life insurance policy underwriting guidelines. * Commit to at least $1,000,000 in loans to provide premium.How Premium Financing Works The premium finance concept is simple your client borrows money to pay life insurance premiums. The actual transaction itself can be quite complex. For that reason it is crucial to involve legal and tax advisors in the process. While each premium finance transaction is unique, every transaction consists of two separate financial instruments; a permanent cash value life insurance policy, and a loan. The process occurs in two steps; 1. The Life Insurance Policy The initial life insurance application process is similar to any other life insurance application. The life insurance company will complete medical and financial underwriting to determine if your client qualifies for coverage. 2. The Loan Application After the policy is approved, a loan application is submitted to the lender for approval. The lender will review your client's credit and financial status and decide whether or not to make the premium loans. Once loan approval occurs your client's premium finance case is underway. The documents are then sent to your client's legal counsel to be executed, and the policy is funded.Legal and Tax Considerations Premium financing has tax implication in a number of areas including estate, gift, and income taxes. Your clients must rely on their own legal and tax advisors to review and explain the legal and tax issues for their specific case. There are many different types of companies out there that provide premium financing. As long as you do your due diligence looking into different firms, you can rest assured that having a company finance your premiums will elevate you from having to fork out the hefty premium payments. This will leave your money in its current investments to accrue as you have intended.If your are interested in learning more about Premium financing Metropolitan Advisory Group provides innovative asset protection and estate planning tools to insurance brokers, lawyers, wealth managers and private individuals. In addition, MAG will now be able to leverage Innovation Advisory Groupâ€™s pre-existing relationships with funds and investment banks currently active in the premium financing marketplace. MAG also offers life settlement transactions through their strong relationships with life settlement providers, brokers and direct buyers. Contact:Jonathan MittmanVice PresidentMetropolitan Advisory Group, LLC212-332-7596jmittman@metropolitanag.com---