

Leverage assets to protect and create wealth

A strategy for commercial premium financing

High-net-worth individuals and business owners need innovative ways to protect, build and transfer wealth. A premium financing strategy may be useful when you want to leverage life insurance for legacy and business planning, but don't want to liquidate assets tied up in a business or in other profitable investments.



Meet Jeff

Age 55, healthy nonsmoker, he and his wife, Amy, have two children.

Jeff owns and runs a dairy farm with 250 cows. He is working to expand both his land and his herd. While Jeff's assets are tied up in running the farm and acquiring additional land and cattle, he knows he needs to protect his family if something should happen to him. He also wants to protect the business he has built, so it's there for his children to take over in the future.

His goals



Estate liquidity

Jeff needs death benefit protection to provide his heirs with sufficient funds to help protect their inheritance and pay taxes.



Free up capital

Jeff wants to use his liquid assets to invest in land, equipment and cattle to grow his business and increase profits.

The commercial premium financing strategy

Jeff's financial professional recommends an indexed universal life (IUL) insurance policy. To avoid liquidating assets, the financial professional suggests that Jeff borrow from a commercial lender to purchase the policy. Jeff also adds a rider to the policy that is designed to create high cash surrender value in the early policy years. This gives him supplemental collateral to obtain the loan.

Lincoln WealthAccumulate[®] 2 IUL (2020) is an innovative Indexed UL built for clients who want death benefit protection plus growth opportunities through indexed accounts and access to cash value for today's and tomorrow's needs.¹ It provides the flexibility to allocate to and move between five indexed accounts linked to the percentage change in the S&P 500[®] or Fidelity AIM[®] Dividend Index, that attempt to provide a balance between return potential and downside protection.²

Jeff is able to secure financing and create a substantial legacy for his family. He manages out-of-pocket costs and maintains control over his other assets and business investments.

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| Not a deposit |
| Not FDIC-insured |
| Not insured by any federal government agency |
| Not guaranteed by any bank or savings association |
| May go down in value |

¹ Loans and withdrawals reduce policy value and death benefit, may cause the policy to lapse and may have tax implications.

² Policy charges remain in effect and could reduce your policy value.

The outcome

- Jeff obtains a loan from a commercial lender.
- Jeff's lender pays annual policy premiums to the life insurance company for 10 years.
- Jeff pays the lender annual interest out-of-pocket.
- Assuming a nonguaranteed rate of return, there will potentially be sufficient cash value to pay back the loan and maintain the policy for the rest of his life.
- Jeff's policy gives him tax-deferred growth opportunities and downside protection.
- Jeff is able to use his liquid assets to continue investing in his farm and add protection with life insurance with minimum out-of-pocket costs.



Ask your financial professional about premium financing life insurance to protect and create wealth.

Things to consider in a premium finance strategy

- Premium financing loan interest rates may increase, resulting in higher loan interest payments.
- Policy crediting rates can fluctuate and may perform better or worse than anticipated, resulting in the potential for additional collateral.
- You may need to pay additional premiums to maintain the policy.

Important information

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Distributions are taken through loans and withdrawals, which reduce a policy's cash surrender value and death benefit and may cause the policy to lapse. Loans are not considered income and are tax-free. Withdrawals and surrenders are tax-free up to the cost basis, provided the policy is not a modified endowment contract (MEC).

Lincoln Financial Group (LFG) does not recommend, endorse, sponsor or otherwise offer Premium Financing. There are risks associated with commercial Premium Financing including but not limited to interest rate risk, additional collateral requirements, additional loan renewal requirements, and risk the lender could become insolvent. In addition, if the policyowner fails to repay the loan based on the terms, the loan could default and the insurance contract could lapse.

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It is possible coverage will expire when either no premiums are paid following the initial premium, or subsequent premiums are insufficient to continue coverage.

Products, riders, and features are subject to state availability. Limitations and exclusions may apply.

Not available in New York. Not for use in Massachusetts.

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