



Solutions

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# Premium Financing

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Leveraging Life Insurance to  
Optimize Returns

# Topics

1 About Premium Finance

2 Benefits

3 Loan Collateral Solutions

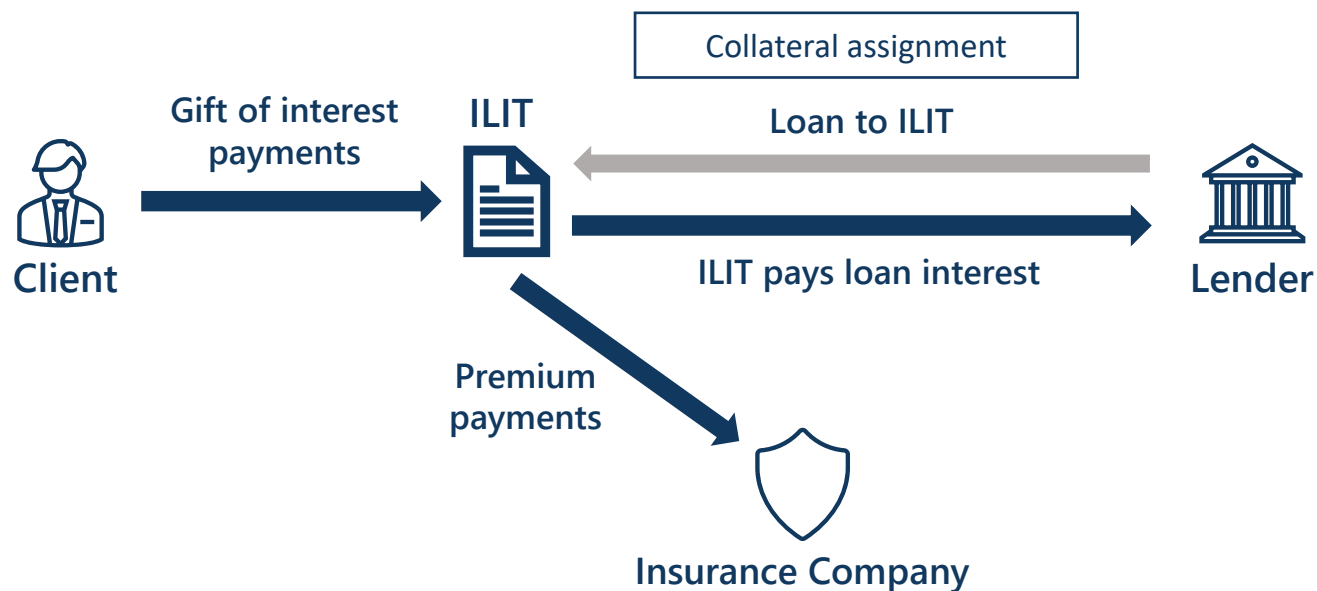
4 Requirements

5 Client Process

6 About ESG

# About Premium Finance

- A commercial bank lends funds that are used to pay premiums.
- Allows the pledging of a life insurance policy as collateral to borrow the funds.
- The loan is paid back based on the agreed loan contract terms (using policy's cash value, death benefit, or other assets as collateral)



# Benefits of Premium Finance

- Ability to obtain large face amount life insurance policies without liquidating assets.
- Helps avoid potential gift taxes.
- Cash value of the life insurance policy could potentially exceed the value of the loan and interest.
- Strategy can cover multiple policies.
- By borrowing these funds, you can avoid immediate capital gains from liquidating assets to pay premiums.
- Allows leveraging of assets to create liquidity for estate tax obligations.
- Borrowing premiums can free up assets for other purchases.

# Loan Collateral Solutions

Lenders will accept a variety of assets as collateral. These may include:

Cash/Deposit Accounts

Marketable Securities

Letter of Credit

Real Estate

Cash Surrender Value of Life Insurance Policy

Based on our partnered insurance carriers and their policy riders, the cash surrender values can typically equal to 80-100% of all premiums paid into the policy during the first few years.

# Premium Finance Requirements

- Requirements and exceptions set by lenders and insurers can vary on a case-by-case basis.
- The most common requirements include:
  - Maximum age of 70 years old
  - Standard or better rate class
  - Minimum net worth of \$5,000,000
  - Minimum annual income of \$150,000 the past 2 years
    - (For applicants under age 50, considerations are made for those with a net worth of at least \$2,500,000 in combination with at least \$250,000 income the past 2 years)
  - Minimum annual premium of \$100,000 or minimum death benefit of \$5,000,000
  - Clients must have income/savings to support premium payments in the absence of financing, and acceptable sources of collateral

# Client Process

1. Complete Application Information Form & Sign HIPAA Authorization Release Form.
2. Provide personal/business financial documents. Will need to provide last 2 years of tax returns.
3. Schedule and take medical exam.
4. Fill out lender financing application. Provide any additional documentation required by insurer and/or bank underwriters.
5. Review and sign loan documents.
6. First premium payment is sent by lender to the insurance company for policy issuance, and interest payment due to the lender.

# About Sky Gem Solutions

- We represent the industry's top-rated insurance carriers.
- Our leadership team has decades of experience in the insurance industry.
- We help clients minimize tax implications and effectively transfer wealth through innovative financial solutions.
- We assist our clients in retaining their top employees and through the creation of tax-free retirement income plans and deferred compensation structures.
- We have facilitated the creation of over \$6 billion in insurance benefit for our clients.





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