

Premium Finance

Securing the Future: Premium Finance for Sustainable Wealth Protection

For high-net-worth individuals and businesses, a significant amount of life insurance secured through premium financing can be an extremely valuable financial tool. When properly understood, its benefits are simple and clear. It has been an established financial instrument for over 25 years, yet many financial advisors still find premium finance a mystery, which contributes to an overall misunderstanding of the important role it can play in a sound financial plan. As a result, many high-net-worth clients miss the opportunities afforded by premium financing. When advisors understand the economic value of financing life insurance premiums, they provide a valuable solution which can lead to the clients' capital preservation.



The Power of Premium Financing

A client must have a need for life insurance. Once the need and purpose is identified, the client is then ready to explore options for funding. Premium financing can present true benefits in the form of an extremely efficient way for a client to preserve their capital. By financing their insurance premiums rather than liquidating assets each year to meet premium payments, the borrower is able to achieve capital preservation. By utilizing funds from a lender, the borrower can maintain their current investments and preserve capital for future family or business needs. Plus, using premium financing can provide gift-tax leverage, as loans made to your Irrevocable Life Insurance Trust (ILIT) to pay premiums are not subject to gift tax. As always, consult with your legal adviser to draft your ILIT. This more efficient use of capital is the primary driver and value of premium financing.

A Strategic Approach for Clients

Advisors must be strategic when introducing premium finance and consider the timing to avoid potential client misunderstandings. It is crucial to present premium finance as a funding option for life insurance rather than simply a way for clients to obtain coverage inexpensively. A shortsighted, cost-based approach can create misperceptions and can contribute to viable deals failing in a very short period of time.

Leverage in Concert

Most sophisticated investors appreciate the value of keeping their capital actively deployed. In fact, many are “asset-rich,” but “cash-poor” precisely because of their investments. While they have more than enough capital to cover their premiums, payment would often involve liquidating their appreciating investments or removing capital from investment vehicles prematurely. These individuals understand the concept of leverage, as they employ them in their daily business lives. Our loan program is grounded in the understanding that life insurance is a critical part of a long-term financial plan. By helping to finance the burden of large premiums, we enable clients to leverage assets and protect their families and businesses without having to sacrifice potential gains. As a result, they preserve capital in support of their existing investment strategies, while protecting assets available for loved ones and future opportunities. These leverage opportunities are the key values behind premium finance.

Customized Premium Financing Solutions

Axos Bank’s Premium Finance team brings over 25 years of combined experience in the premium finance and insurance industry. We approach insurance financing from the point of view of the borrower. This commitment to solving the borrower’s needs is our first priority. When you put the best interests of the borrower first, the result is sound loans that will benefit the client for years to come.

With a focus on creative and innovative ideas, the Premium Finance team welcomes your calls and inquiries to learn firsthand some of the many ways our products, creative thinking and flexible approach to the loan process can contribute to the successful funding of a life insurance policy for your client.

Contact us to learn more.

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