



PREMIUM FINANCE

Leveraging Assets with Life Insurance and Premium Financing

Purchasing life insurance is an ideal way to help you provide a legacy to your family or favorite charity. However, the idea of liquidating high-yielding investments in order to pay the premiums of a life insurance policy may not be an appealing one. The good news is that there is a way to get the quality Transamerica life insurance you need by leveraging those assets and securing a loan while not disrupting the growth of your portfolio. It's known as premium financing, and Transamerica has the expertise to help you find just the right provider to allow you to take full advantage of it.

The Challenge: Large Premiums and Gift Tax Liability

You've worked hard to achieve financial success, accumulating a sizeable estate that you hope to leave as a legacy to your loved ones. You recognize the vital role that life insurance plays in helping you achieve this goal. However, adequate life insurance coverage for a high-net-worth individual tends to require significant premium payments. Furthermore, annual "gifts" of premiums to a Legacy Trust set up as an Irrevocable Life Insurance Trust (ILIT) may be subject to a gift tax. And the more your money is taxed, the less there is to leave to those you care about most.

The Strategy: Borrow Premiums from a Third-Party Lender

If the idea of liquidating assets to buy a life insurance policy doesn't appeal to you, you may consider financing the premiums through a third-party lender. Here's how it would work: Your Legacy Trust trustee, rather than you personally, can apply for the loan using the policy itself and some other asset(s) as collateral. Because the lender will advance the funds to the insurance provider to pay the premium, the trustee will only be responsible for paying the interest on the loan. In other words, you will not need to make annual gifts to the Legacy Trust to cover the premium. Instead, you need only make annual gifts to the

Legacy Trust in the amount of interest due, which will likely be less than the cumulative premium.¹ Smaller gifts mean a potentially smaller amount of gift tax. Once it comes time to repay the loan premium, you have several options, including simply allowing the repayment to come from your beneficiaries' proceeds.

Case in Point

Michael, aged 65

- Life insurance need established at \$5,000,000*
- Annual premium of \$111,034 for non-financed premium
- Annual premium of \$189,628 for financed premium; guaranteed; with return of premium death benefit
- Loan interest rate assumed at 6%

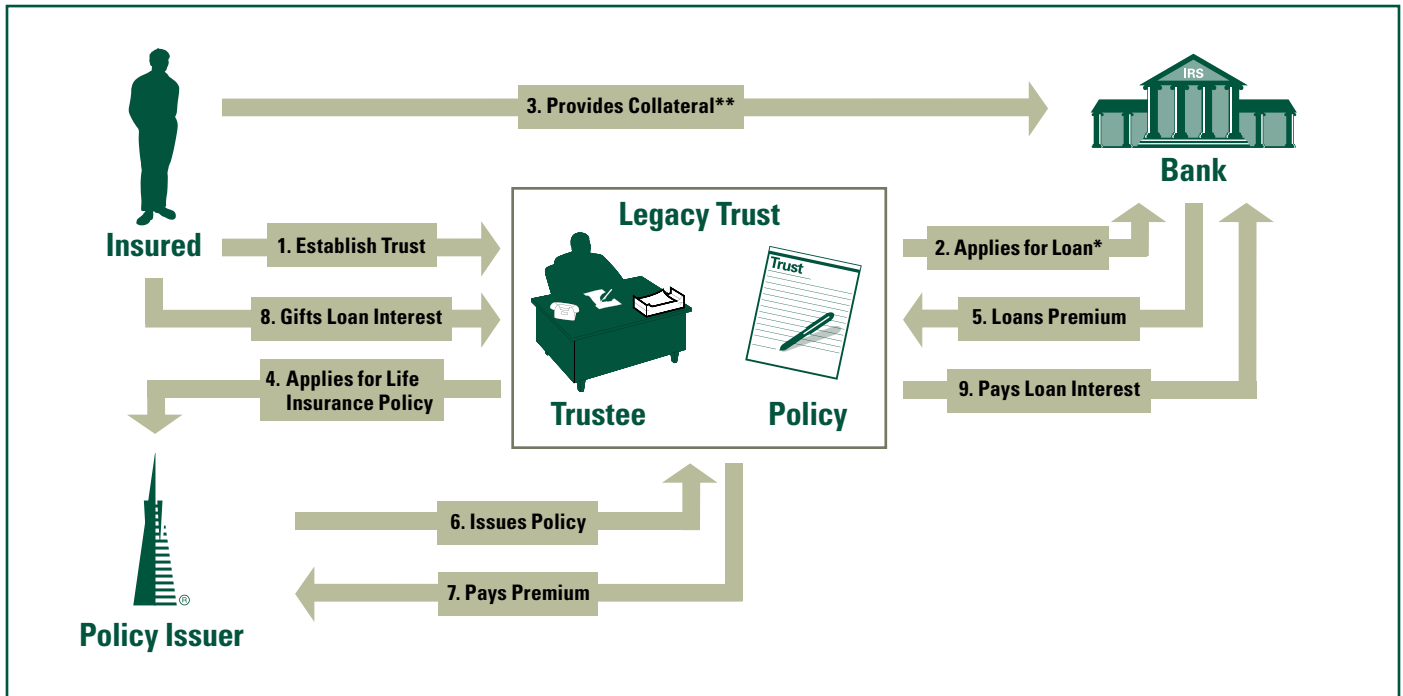
* Male 65, Preferred Non-Tobacco, TransACE® policy

Year 10 Cumulative Results		
Policy cost by not financing	Interest cost by financing	Difference in paying interest vs. paying premiums
\$1,110,340	\$625,772	\$484,568

¹ Loan interest in some future year or years may exceed the cost of premiums in those years. However, the cumulative outlay for interest may generally be less than the cumulative outlay for premiums.

Nuts & Bolts: How Does Premium Financing Work?

Using premium financing to purchase life insurance through your Legacy Trust is a smart strategy for getting the benefits of life insurance without jeopardizing your assets' ability to earn interest. The following diagram demonstrates exactly how the premium financing process works.



* Process requires that the insured provide among other things the following documents: (1) tax returns for past three years; (2) personal financial statements; (3) brokerage statements if any. The reason for this is due to the fact that the insured/grantor is providing the collateral on behalf of the trust which is borrowing the premiums. Therefore it is necessary for the insured/grantor to have adequate assets and a strong balance sheet to qualify for the loan.

** Typically, cash surrender value of a life insurance policy will serve as primary collateral for the loan. However, new policies may not have much cash surrender value in early years. So, you may need to make up for any shortfall between the loan balance and cash surrender value by pledging some other assets as collateral. Acceptable forms of collateral generally include cash, cash equivalents, publicly traded stock, other life insurance cash surrender value, letters of credit and personal guaranties.

TransACE® is a nonparticipating, flexible-premium universal life insurance policy issued by Transamerica Life Insurance Company, Cedar Rapids, IA 52499. Policy Form #1-12611107, Group Certificate #2-72336107 for certificates issued under a group policy issued to the Rhode Island National Consumer Protection Trust. Policy form and number may vary and this policy may not be available in all jurisdictions. In most states, in the event of suicide during the first two policy years, death benefits are limited only to the return of premiums paid. In Missouri, suicide is no defense to payment of benefits unless the Company can show that the insured intended suicide at the time of application for coverage.

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Discussions of the various planning strategies and issues are based on our understanding of the applicable federal income, gift, and estate tax laws in effect at the time of publication. However, these laws are subject to interpretation and change, and there is no guarantee that the relevant tax authorities will accept Transamerica's interpretations. Additionally, the information presented here does not consider the impact of applicable state laws upon clients and prospects.

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Transamerica Life Insurance Company

an AEGON company



TRANSLINKSM PROPOSAL FACT FINDER

Thank you for your interest in our TransLINKSM program. We are pleased to have the opportunity to work on a premium financing proposal for you. To begin, complete the form below and email to: (LifeSales@transamerica.com) or fax to: (213) 763-9724. The information collected will help us with case design for your particular case.

If you would prefer to discuss your case prior to submitting a request for proposal, please contact Transamerica's Advanced Marketing Department at (866) 545-9058, option 2.

PRODUCER INFO:

Name:	GA Name/Office:
Street Address (No PO Box):	
City/State/Zip:	
Business Phone No.	Mobile No.
E-mail address:	

CLIENT INFO:

Client (1):			
Gender:	DOB or Age:	Issue State:	<input type="checkbox"/> Non-Smoker <input type="checkbox"/> Smoker
GUL & UL Risk Class: <input type="checkbox"/> Select <input type="checkbox"/> Preferred <input type="checkbox"/> Standard <input type="checkbox"/> Standard w/Aviation			Table Rating?
IUL Risk Class: <input type="checkbox"/> Pref-Elite <input type="checkbox"/> Pref-Plus <input type="checkbox"/> Pref-Plus w/Aviation <input type="checkbox"/> Pref <input type="checkbox"/> Pref. w/Aviation <input type="checkbox"/> Non-Tobacco			

For IUL: Pref-Elite = Select Pref-Plus = Preferred Pref = Standard Plus Non-Tobacco & Tobacco = Standard

Client (2):			
Gender:	DOB or Age:	Issue State:	<input type="checkbox"/> Non-Smoker <input type="checkbox"/> Smoker
GUL & UL Risk Class: <input type="checkbox"/> Select <input type="checkbox"/> Preferred <input type="checkbox"/> Standard <input type="checkbox"/> Standard w/Aviation			Table Rating?
IUL Risk Class: <input type="checkbox"/> Pref-Elite <input type="checkbox"/> Pref-Plus <input type="checkbox"/> Pref-Plus w/Aviation <input type="checkbox"/> Pref <input type="checkbox"/> Pref. w/Aviation <input type="checkbox"/> Non-Tobacco			

For IUL: Pref-Elite = Select Pref-Plus = Preferred Pref = Standard Plus Non Tobacco & Tobacco = Standard

INSURANCE INFO:

Product Preference: <input type="checkbox"/> Guaranteed UL (Single Life) <input type="checkbox"/> Guaranteed Survivor UL <input type="checkbox"/> Universal Life (Single Life) <input type="checkbox"/> Index UL <input type="checkbox"/> Crediting Rate Assumption _____%	Initial Face Amount: (Face Amount over \$10 million is subject to retention guideline limitation and prior management approval.)	Death Benefit Option: <input type="checkbox"/> Level <input type="checkbox"/> Increasing <input type="checkbox"/> Plus-Premium
Premium Amount (if known): \$ (min. \$100,000)	Number of Years to Pay Premium (if known):	
Amount of Lump Sum Deposit (if any): \$ Month to Receive Deposit:	1035 Exchange (if any): <input type="checkbox"/> Internal <input type="checkbox"/> External Month to Receive Exchange: Amount of Exchange: \$	
Current Insurance In Force:		
Face Amount: _____	Cash Value: _____	Carrier: _____ Replaced? <input type="checkbox"/> Y <input type="checkbox"/> N
Face Amount: _____	Cash Value: _____	Carrier: _____ Replaced? <input type="checkbox"/> Y <input type="checkbox"/> N
Face Amount: _____	Cash Value: _____	Carrier: _____ Replaced? <input type="checkbox"/> Y <input type="checkbox"/> N

CLIENT FINANCIAL DATA:

Occupation: _____

Annual Income: \$ _____ Other Sources of Income: \$ _____ Total Net Worth: \$ _____

Assets:	Liabilities:
Cash/Cash Equivalents: \$	Real Estate Mortgage: \$
Stocks/Bonds: \$	Notes Payable: \$
Personal Residence: \$	Margin Debt: \$
Other Real Estate: \$	Credit Card Debts: \$
Business Interests: \$	Other Liabilities: \$
Other Assets: \$	

List of Financial Institutions client has account(s) with:

FINANCING INFO: (Minimum Net Worth is \$5 Million)

Loan Rate Assumption (if known): _____ %		Borrow: <input type="checkbox"/> Premium Only <input type="checkbox"/> Premium + Interest (up to 5 years with lender approval)	
Loan Exit Options: <input type="checkbox"/> From Death Benefit <input type="checkbox"/> From Policy Values. Desired year of repayment _____ <input type="checkbox"/> From Walton GRAT. Desired year of repayment _____ <input type="checkbox"/> From Outside Funds. Desired year of repayment _____			
Will Policy be owned by a Trust? <input type="checkbox"/> Yes <input type="checkbox"/> No		Is this an existing trust or a new trust? <input type="checkbox"/> Existing <input type="checkbox"/> New	
		Will there be any Trust Fund Deposit(s)? <input type="checkbox"/> Yes* <input type="checkbox"/> No	
*If yes, amount of deposit(s) : \$ _____		Year of deposit(s): _____	
		Assumed after-tax growth rate: _____	
Loan is to be fully collateralized at all times; what types of collateral will be available to pledge?			
<input type="checkbox"/> Cash/CDs from a FDIC Insured Bank			
<input type="checkbox"/> Publicly Traded Stocks/Bonds (2:1 valuation)			
<input type="checkbox"/> Whole Life and Universal Life policies not already assigned Carrier: _____ Policy No(s): _____			
<input type="checkbox"/> Letter of Credit			
<input type="checkbox"/> Fixed Annuities			
<input type="checkbox"/> VUL Policies/Variable Annuities (2:1 valuation)			
<input type="checkbox"/> Others (Specify) _____			



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