



SPECIAL ANNOUNCEMENT

Premier Brokerage Services Inc. Is Excited To Announce Vive

VIVE gives you access to the industry's fastest way to write a term life insurance drop ticket. Vive's groundbreaking technology feeds data directly to insurance carriers. The direct links allow Vive to immediately determine your client's Accelerated Underwriting eligibility. It's a breakthrough that allows carriers to make more non-medical underwriting decisions in a matter of days.

Four New Ways That Vive Saves You Valuable Time Every Time

1. Quote, compare and submit an order in just 5 minutes for **Legal & General, Pacific Life, Principal, Protective and Prudential**
2. Get Accelerated Underwriting decisions in days instead of weeks
3. On AU orders, an interviewer will contact your client by phone in 24-48 hrs. No blood or medical records required
4. Vive facilitates the fastest underwriting offers, allows you to place policies sooner and receive commissions more quickly

Click [here](#) to register for Vive and start your 5-minute application today or contact Andy Smith at 800-543-5555 ext. 212 to schedule a **10 minute training session**.



Human API - Electronic Health Records In 24 Hours

Underwriting innovation has arrived at Premier Brokerage Services. Given the long time period in acquiring attending physician statements, the insurance industry is proactively leveraging alternative data sources to find new ways to respond. *Premier Brokerage is partnering with insurance carriers that support these technology initiatives.*

Human API is on a mission to radically accelerate the pace of health innovation: Human API gives consumers the easiest way to connect and share health data—no matter where or how it was stored. The traditional process of requesting and retrieving medical records can add weeks and months, creating frustration with clients. **Meanwhile, through this new Human API Platform, it only takes a few minutes on average to share electronic health records.**

About Human API: Human API is a health technology company that gives consumers a simple way to share electronic health data with our Life insurance carriers. Rather than rely on manual processes that involve phone calls, faxing, or mailing, Human API retrieves medical records digitally. It offers a simple experience that allows clients to release medical records by connecting to their patient portals securely. There is nothing you need to do. We will work with our partner carriers and let you know when a client qualifies, walking you through the steps.

Secure and Easy: The two-minute process can be done in the comfort of a client's home without the need to interact with healthcare providers or in-person nurse visits. Premier Brokerage will share the digital medical data directly with carriers to expedite the underwriting process. The process is secure and easy.

RELATIONSHIPS FIRST

CARRIER NEWS

AIG

Announces Lower Term Rates

As of May 4, 2020 all bands of Select-a-Term, our flagship product, just got even more competitive nationwide! Check out our new market leading premium rates and other great news.

Here's how strong we are in our target cells (\$250,000 – \$500,000):

- Nationwide, nearly 65% of the premium rates rank in the top 3 and over 31% rank in the top 2

Here's how strong we are in the higher band market (\$500,000 and above):

- Nationwide, nearly 81% of the premium rates rank in the top 3 and over 45% of the premium rates rank in the top 2

Invaluable Flexibility

Select-a-Term offers a unique mix of flexibility and reach:

- Guaranteed level term coverage for 18 durations, including 10-year and 15 through 30 years and a 35-year term
- Select-a-Term remains convertible to the earlier of age 70 or the end of the level term period
- Extended conversion eligibility to the full suite of competitive AGL and US Life permanent products for the first 8 years for 10-year term durations, or the first 10 years for term durations of 15 years and greater

State Approvals

As of May 4, 2020, the new Select-a-Term rates are available in all states except NY, where the currently offered rates will remain available and unchanged.

Transition Rules

- Applications received in the Home Office before May 4, 2020, will automatically receive the old product rates unless the new product is specifically requested.
 - **Any requests to get the new product must be made prior to the policy being issued or conditionally issued.**
- Applications received in the Home Office starting May 4, 2020, through May 31, 2020, will **manually** be given the product with the lowest rates **prior to policy issue.**
- Applications received in the Home Office June 1, 2020, and later will be automatically be given the new product rates.
- Reissue requests to new plan will NOT be honored.
- New applications submitted to replace existing inforce coverage with the new rates will not be honored within 90 days of the existing coverage going inforce.

Applications Received via AG Quick Ticket

- Applications received in the Home Office before May 4, 2020, will automatically receive the old product rates unless the new product is specifically requested.
 - **Any requests to get the new product must be made prior to the policy being issued or conditionally issued.**
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RELATIONSHIPS FIRST

CARRIER NEWS | AIG**Announces New Platinum Choice VUL 2 Rates**

Effective **May 30, 2020**, premiums on Platinum Choice VUL 2 will see an increase as the result of recent declines in interest rates and increased market volatility. At AGL, we are committed to providing competitive, attractive guaranteed life insurance products to our clients, and the current environment imposes a need to increase our rates to maintain their viable position.

Product Changes

- Guaranteed premium to increase on average 15% varying by age and payment duration
- Changes to Current Account Premium Expense and COI charges
 - Current charges vary by age, gender, risk class, band and duration

Differentiating Features

- **Guaranteed Death Benefit:** Built-in guarantee up to your clients' lifetime
- **Guaranteed Cash Value Protection:** Built-in minimum cash value that endows at lifetime, regardless of changes in market condition
- **Guaranteed Return of Premium:** Built-in, no cost option to receive up to 50% of premium end of year 20 or 100% end of year 25
- **Guaranteed Chronic Illness Protection** via optional chronic illness rider (Accelerated Access Solution®)
- **Non-Med Underwriting** (Up to \$499,999 face amount and age 50)

Transition Rules**Paper Applications**

- New Platinum Choice VUL 2 rates are effective **May 30, 2020**.
- Applications received on or after **May 30, 2020**, will receive the new rates.

- Starting **4:00 PM CDT on May 29, 2020**, only the new rates will be available in WinFlex.
- To receive the old rates, applications must be received on or before **May 29, 2020**.
- Reissue requests **will not** be honored.

AG Quick Ticket

- New GUL rates are effective **May 30, 2020**.
- Applications submitted via Quick Ticket by **May 29, 2020**, will receive the **old rates** if AIG receives the application **in good order by June 15, 2020**.
- Applications submitted via Quick Ticket by **May 29, 2020**, will receive the **new rates** if AIG receives the application **in good order after June 15, 2020**.
- Applications submitted to AIG via Quick Ticket on or after **May 30, 2020**, will automatically receive the new rates.
- Reissue Requests **will not** be honored.

For all cases including those that may be paused or postponed as part of our temporary COVID-19 underwriting guidelines announced in April, in order to retain the old product and rates, all requirements must be received by the dates noted and the policy must be placed in force no later than October 31, 2020. Otherwise the policy will move to the new rates. Additional rules below:

- **May 29:** Last date to drop a ticket or submit paper application for old product.
- **May 30:** New tickets dropped or paper applications received as of this date will receive new product.
- **June 15:** Last date for AIG to receive an application (in good order) for the old product from a ticket dropped on or before May 29.
- **October 1:** Last date to write out for 1035 exchange funds.
- **October 31:** Last date AIG will place in force an old Secure Lifetime GUL 3 and Platinum Choice VUL 2.

RELATIONSHIPS FIRST

CARRIER NEWS | AIG

- **October 31:** Last date for funding for 1035 exchanges to be received from the transferring carrier for the old product rates.

Alternatively for 1035 exchanges: The insured may pay the minimum initial out-of-pocket premium by October 31 to continue toward issuance of a policy with the older product rates. If this option is taken, any funds subsequently received from the transferring carrier after October 31 will be applied to the policy as a lump-sum payment at the time of receipt. Funds received from the transferring carrier in this scenario will not be applied as initial premium.

Regardless of the date when the temporary COVID-19 underwriting guidelines are lifted, the old product rates will no longer be available to be placed in force beyond October 31, 2020. Thank you for your business and for your continued patience with these guidelines.

Announces New Secure Lifetime GUL 3 Rates

Effective **May 30, 2020**, premiums on Secure Lifetime GUL 3 (issued by AGL and USL) will see an increase as the result of recent declines in interest rates and increased market volatility. At AGL and USL, we are committed to providing competitive, attractive guaranteed life insurance products to your clients.

Rate Changes

Guaranteed premium to increase on average 15% varying by age and payment duration.

Differentiating Features

- **Guaranteed Return of Premium:** Built-in, no cost option to receive 50% end of year 20 or 100% end of year 25
- **Partial withdrawal capability** feature
- **Optional Accelerated Access Solution** for

chronic illness coverage up to \$3 million of client's base policy

- **Optional Lifestyle Income Solution** that provides a guaranteed income by accelerating the death benefit

Transition Rules

Paper Applications

- New GUL rates are effective **May 30, 2020**.
- Applications received on or after **May 30, 2020**, will receive the new rates.
- Starting **4:00 PM CDT on May 29, 2020**, only the new rates will be available in WinFlex.
- To receive the old rates, applications must be received on or before **May 29, 2020**.
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AG Quick Ticket

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- Applications submitted via Quick Ticket by **May 29, 2020**, will receive the **new rates** if AIG receives the application **in good order** after **June 15, 2020**.
- Applications submitted to AIG via Quick Ticket on or after **May 30, 2020**, will automatically receive the new rates.
- Reissue Requests **will not** be honored.

For all cases including those that may be paused or postponed as part of our temporary COVID-19 underwriting guidelines announced in April, in order to retain the old product and rates, all requirements must be received by the dates noted and the policy must be placed in force no later than October 31, 2020. Otherwise the policy will move to the new rates. Additional rules below:

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CARRIER NEWS | *AIG, Lincoln Financial*

- **May 29:** Last date to drop a ticket or submit paper application for old product.
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Regardless of the date when the temporary COVID-19 underwriting guidelines are lifted, the old product rates will no longer be available to be placed in force beyond October 31, 2020. Thank you for your business and for your continued patience with these guidelines.

LINCOLN FINANCIAL **Announces Pricing Updates to Lincoln VUL ONE (2019) and Lincoln SVUL ONE (2019)**

Effective May 11, 2020, Lincoln is announcing pricing updates on Lincoln VUL ONE (2019), and Lincoln SVUL ONE (2019).

Lincoln VUL ONE (2019) – 5/11/20 will replace Lincoln VUL ONE (2019) – 1/13/20.

Lincoln SVUL ONE (2019) – 5/11/20 will replace Lincoln SVUL ONE (2019) – 1/13/20 for all states that are approved at rollout.

Pricing Changes

The following pricing updates apply:

- Premiums have increased 16% on average
 - Updates apply to Lincoln VUL ONE (2019) and Lincoln SVUL ONE (2019)
 - Updates apply across all funding patterns
- There were no impacts to Target premiums

Prospectus

There is no new prospectus for these product updates. The prospectus' can be found on LFG.com under Explore insurance & annuities/Lincoln VUL ONE (2019)/ Performance /Prospectus and Reports tab.

Transition Guidelines

All states are automatically approved at rollout with the exception of New York (where the product is not currently available), and the transition period begins on **May 11, 2020 and ends on May 22, 2020. Additionally, all pending business must be issued, or 1035 exchanges initiated (where applicable), on or before August 28, 2020.**

- For the old product, formal applications must be signed, dated and received in-good-order in Lincoln's home office by the end of the transition period to qualify.
- For LincXpress® Tele-App Cases, a complete ticket and required solicitation forms must be received in Lincoln's home office by the end of the transition period to qualify.
- For pending business or policies already issued, Lincoln will accept a written request

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CARRIER NEWS | *Lincoln Financial, Principal*

and a revised illustration to change to the Lincoln VUL ONE (2019) – 05/11/20, and Lincoln SVUL ONE (2019) – 05/11/20

- For policies already placed, normal internal replacement guidelines apply. Rewrites will not be allowed
- For cases with the owner listed as “Trust to be Established”, formal applications received in the Home Office by the end of the transition period and have been signed by the insured will still qualify as awaiting a trust to be set up is part of the normal course of business. The only paperwork that Lincoln will not require at submission is the executed Certification of Trustee Powers with the trustee/owner’s signature. It must be received prior to issue.
- For formal applications that expire prior to Issue or have been closed out, a new Part I must be submitted, and the case will be subject to the rates available at that time.

Announces Pricing Updates to Lincoln LifeGuarantee® UL (2019)

Effective May 11, 2020, Lincoln is announcing pricing updates on Lincoln LifeGuarantee® UL (2019).

Lincoln LifeGuarantee® UL (2019) – 05/11/20 will replace Lincoln LifeGuarantee® UL (2019) – 11/11/19 for all states that are approved at rollout.

Pricing Changes

The following pricing updates apply:

- Premiums have increased 20% on average
- Target premiums have increased to be aligned with updated lifetime level premiums

Transition Guidelines

All states are automatically approved at rollout with the exception of New York (where the product is

not currently available), and the transition period begins on May 11, 2020 and ends on May 22, 2020.

- **For the old product**, formal applications must be signed, dated and received in-good-order in Lincoln’s home office by the end of the transition period to qualify.
- **For LincXpress® Tele-App Cases**, a complete ticket and required solicitation forms must be received in Lincoln’s home office by the end of the transition period to qualify.
- **For pending business or policies already issued**, Lincoln will accept a written request and a revised illustration to change to the Lincoln LifeGuarantee® UL (2019) – 05/11/20
- **For policies already placed**, normal internal replacement guidelines apply. Rewrites will not be allowed.
- **For cases with the owner listed as “Trust to be Established”**, formal applications received in the Home Office by the end of the transition period and have been signed by the insured will still qualify as awaiting a trust to be set up is part of the normal course of business. The only paperwork that Lincoln will not require at submission is the executed Certification of Trustee Powers with the trustee/owner’s signature. It must be received prior to issue.
- **For formal applications that expire prior to Issue or have been closed out**, a new Part I must be submitted, and the case will be subject to the rates available at that time.

PRINCIPAL

Announces New Premium Rates for Guaranteed UL and Survivorship UL Products

New premium rates will be effective June 8 for **Principal Universal Life Protector V (UL Protector V)** and **Principal Survivorship Universal Life Protector III (SUL Protector III)**. The challenging economic environment makes a pricing adjustment necessary, with generally higher rates for both products.

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CARRIER NEWS | *Principal***Transition Guidelines**

- On average, UL ProtectorV single and 10 pays will increase 13-14%, and level pays will increase 4%.
- On average, SUL Protector III rates will increase 11-12% for all premium scenarios.

The guidelines below provide key dates for the transition from **original rates** to **new rates**.

June 8, 2020

- New rates are effective in all states.
- We'll accept applications for policies with original rates until June 15, 2020. All requirements, including premium, must be received in the home office within our normal processing timeframe.

June 16, 2020

- All applications received in the home office on or after this date will be issued with new rates. No exceptions will apply.

Backdating

- Normal rules apply for backdating to save age. However, if the application is received after June 15, the policy will be issued with new rates even if backdating results in an issue date prior to the effective date of new rates.

Term conversions

- All transition guidelines apply to term conversion applications for UL Protector V and SUL Protector III.

Premium limits

- Previously communicated premium limits remain in effect for these products.

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CARRIER NEWS | *Principal*

CARRIER NEWS |

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COMPETITIVE ANALYSIS: Stress Testing

In response to a growing demand for **Competitive Intelligence**, Premier Brokerage continues to provide LifeTrends analysis to our producers.

LifeTrends is one of the top consulting firms in the insurance industry, specializing in **Consultative Product Due Diligence, Competitive Intelligence, & Customized Benchmarking**.

What this means to you is the chance to “wow” your clients with information that they are not getting from their other advisors, keeping you one step ahead of your competition.

One thing that differentiates top producers from the competition is the ability to show their clients not only “numbers on an illustration”, but also

how the product holds up in the face of real life circumstances. Premier has commissioned LifeTrends to perform a number of Stress Tests which analyze how specific carriers and products perform under specified conditions.

LifeTrends has already completed its first three stress tests: 1) Catch Up Premium Analysis, 2) Missed Premium Analysis, and 3) Paid Up Death Benefit Analysis.

*We can provide you with multiple reports at multiple ages and rates. If you would like a copy, please contact your sales representative: **Corporate Headquarters: 800.543.5555; Miami Office: 800.683.3077***

| | |
|-------------------|-----------|
| Gender | Male |
| Age | 55 |
| Risk Class | Preferred |

Universal Life - No Lapse Guarantee - Missed Premium

Male, Age 55, Preferred Risk Class, \$1,000,000 Level Death Benefit

Pay the lifetime level premium and skip premium payment in a year, then solve the guarantee age

| Company | Product | Rank | NLG Lifetime Premium | Guarantee Age with Missed Premium in: | | |
|--------------------|--------------------------------------|------|----------------------|---------------------------------------|---------|---------|
| | | | | Year 4 | Year 11 | Year 20 |
| Penn Mutual | Guaranteed Protection UL | 1 | \$11,694 | 96 | 100 | 105 |
| Symetra | Symetra UL-G 6.0 | 2 | \$12,272 | n/a | 69 | 78 |
| Nationwide | No-Lapse Guarantee UL II | 3 | \$12,318 | n/a | 102 | 107 |
| American National | Signature Guaranteed UL | 4 | \$12,494 | n/a | 105 | 107 |
| Principal | UL Protector V | 5 | \$12,501 | n/a | 99 | 109 |
| American General | Secure Lifetime GUL 3 | 6 | \$12,519 | 99 | 103 | 108 |
| Prudential | PruLife Universal Protector | 7 | \$12,585 | 58 | 98 | 100 |
| Nationwide | Indexed UL Protector II | 8 | \$13,245 | 97 | 102 | 107 |
| North American | Custom Guarantee (Gen 9) | 9 | \$13,837 | 104 | 106 | 109 |
| North American | Protection Builder IUL | 10 | \$13,837 | 104 | 106 | 109 |
| Lincoln Financial | VULOne (2019) | 11 | \$13,980 | 87 | 89 | 93 |
| Lincoln Financial | LifeGuarantee UL (2019) - 11/11/2019 | 12 | \$14,187 | n/a | 91 | 101 |
| Securian Financial | Eclipse Protector II IUL | 13 | \$14,249 | 100 | 103 | 107 |
| Protective | Advantage Choice UL 12-19 | 14 | \$15,210 | 117 | 118 | 118 |
| Protective | Indexed Choice UL 12-19 | 15 | \$15,971 | 117 | 118 | 118 |

Values derived from carrier illustrative systems. Not to be distributed to the general public.

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Please see the applicable agreements for further restrictions and limitations. Report Created April 1st 2020.

LifeTrends[®]

ADVANCED SALES

Estate Planning Strategies In A Low-Interest Environment

Planning techniques that work best in low-interest environments

Over the past several decades, interest rates have been decreasing. More recently, interest rates have been at historically low levels for the last decade. Table 1 reinforces that reality. However, interest rates are subject to change.

Each month, the Internal Revenue Service (IRS) announces the updated Applicable Federal Rates (AFR) and related Section 7520 rates. The AFR rates are based on different durations of U.S. Treasury Notes, and are reset by the Treasury every month. Table 1 is based on these Section 7520 rates for the start of each recent calendar year.

Low interest rates, including the IRS' Section 7520 rate, can have a significant impact on an individual's estate planning process. For certain estate planning techniques, low Section 7520 and AFR rates provide opportunities for transferring wealth to the next generation in a tax-efficient manner. The Section 7520 rate is used to determine the present value of annuities, life estates, terms of years or a remainder of a reversionary interest, and is published monthly. It is equal to 120% of the applicable federal mid-term rate (AFR), compounded semiannually under Section 1274(d).

The effectiveness of many estate planning techniques will vary with interest rate fluctuations. The various AFRs have gradually decreased in recent years. In January 1991, the mid-term AFR was 9.8%. From 2002 to 2008, it had hovered between 4% and 5%. By late 2012, it dropped to a near-historic low, less than 1% (.84%). In 2020, the rates remain low and may continue to stay there given the low 10-year Treasury.

Table 1: Sample of historical rates:

| Year | 120% of mid-term AFR (as of January each year) | 7520 rates |
|------|---|---------------|
| 2000 | 7.47% | 7.4% |
| 2001 | 6.75% | 6.8% |
| 2002 | 5.40% | 5.4% |
| 2003 | 4.12% | 4.2% |
| 2004 | 4.23% | 4.2% |
| 2005 | 4.53% | 4.6% |
| 2006 | 5.39% | 5.4% |
| 2007 | 5.51% | 5.6% |
| 2008 | 4.31% | 4.4% |
| 2009 | 2.48% | 2.4% |
| 2010 | 2.95% | 3.0% |
| 2011 | 2.34% | 2.4% |
| 2012 | 1.40% | 1.4% |
| 2013 | 1.04% | 1.0% |
| 2014 | 2.10% | 2.2% |
| 2015 | 2.10% | 2.2% |
| 2016 | 2.17% | 2.2% |
| 2017 | 2.36% | 2.4% |
| 2018 | 2.62% | 2.6% |
| 2019 | 3.47% | 3.4% |
| 2020 | 2.03% | 2.0% |

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ADVANCED SALES | Estate Planning Strategies In A Low-Interest Environment**Consider a grantor retained annuity trust (GRAT)**

Consider an example of the benefit of lower AFRs used with a wealth transfer strategy, such as a GRAT. A GRAT is a trust in which the grantor, typically an individual with excess assets, transfers property but retains the right to receive payments for life or a period of years, otherwise referred to as an annuity. At the end of the GRAT's term, the assets and any appreciation pass to named beneficiaries or trusts, typically called remainder men. GRATs generally result in taxable gifts of a future interest gift (this is a remainder interest) deemed to be made by the grantor. Because the gift won't be completed until the future, the value of the gift is usually far lower than the current market value.

The value of the gift is determined by subtracting the value of the annuity from the fair market value of the property transferred to the trust. As with a commercial annuity, the amount required to create the specified stream of annuity payments increases as the earnings on the annuity decrease, and vice versa. Therefore, as the AFRs decrease, the present value of the annuity increases, and therefore

reduces the amount of the taxable gift. The grantor benefits from this because lower asset growth rates are assumed by the IRS due to the lower AFR, resulting in a lower assigned value for the remainder interests after the annuity payments are satisfied.

Case Study:

- Bill, Age 60.
- Bill's GRAT is funded with property valued at \$1,000,000.
- Receives payments of \$75,000 at the end of each year for 10 years (7.5%).

In comparison:

- If Bill funded the GRAT in August 2001 — the AFR used to value the gift would have been 6.8%.
- If Bill funded the GRAT in April 2020 — the AFR used to value the gift would have been 2.0%.

As you see in Table 2, with a lower 7520 rate, the gift tax value is reduced by \$142,020 or 30%. In a 40% gift tax bracket, potential taxes can be reduced by as much as \$56,808.

Table 2: Difference in the value of the taxable gifts based on the charge in interest rates:

| Date GRAT funded | 7520 rate | FMV of property transferred | Minus | Value of annuity | Equals | Value of gift |
|------------------|-----------|-----------------------------|-------|------------------|--------|---------------|
| August 2001 | 6.8% | \$1,000,000 | – | \$531,675 | = | \$468,325 |
| April 2020 | 2.0% | \$1,000,000 | – | \$673,695 | = | \$326,305 |

Reduction of taxable gift: \$142,020

Gift tax saving at an assumed 40% gift tax rate: \$56,080

A personal loan to help fund your client's estate plan

Another popular planning approach taking advantage of a low-interest environment is private financing, also known as private split-dollar. With these arrangements, the grantor of the trust (or the grantor's spouse) typically pays the premiums on

a life insurance policy held by an irrevocable life insurance trust (ILIT). However, in lieu of the more traditional gifts to an ILIT, the premium payments are treated as loans from the grantor to the trust. Here, IRS-mandated AFR rates are used to determine the minimum interest rate the trust is assessed for the loan. If the AFR rate the trust uses for interest is lower than the rate the trust can earn on the funds,

RELATIONSHIPS FIRST

ADVANCED SALES | Estate Planning Strategies In A Low-Interest Environment

the difference remains in the trust to benefit the trust beneficiaries. That growth is also out of the estate and indirectly reduces the taxable estate as well.

Case Study

- Hannah, Age 50

If the AFR Rate is 6%:

- Loans \$10,000,000 to her ILIT for 20 years.
- The trust can invest funds at 6%:
 - At the end of 20 years, after paying the interest each year and paying back the loan, \$0 is left in the trust for the beneficiaries.

In comparison, if the AFR Rate is 4%:

- Loans \$10,000,000 to her ILIT for 20 years.
- The trust can invest funds at 6%:
 - At the end of 20 years, with a 2% lower AFR, the amount remaining in the trust is \$7,357,118, an advantage to the trust beneficiaries of \$7,357,118.

- At the moment, rates are even lower than the 4% in this example.

Life insurance: an added advantage

The availability of the extra funds allows consideration of additional planning options within the ILIT to include the purchase of life insurance on the life of the trust grantor. Using a low, here 4% (although the recent rates have been even lower), if \$100,000 of the additional income were used to pay a life insurance premium for 20 years, at the end of 20 years, consider what the comparative values would look like as shown in Table 2. (Hypothetical life insurance values assume an initial death benefit of \$10,953,279 and available cash value in year 20 of 2,262,857.)

Important note: If the AFR rate the trust uses for interest is lower than the rate the trust can earn on the funds, the difference remains in the trust to benefit the trust beneficiaries.

Table 3: ILIT values in year 20 after repayment of \$10,000,000 loan

| Date GRAT funded | ILIT investment account values year 20 | ILIT life insurance cash values year 20 | ILIT total account values year 20 (if alive) | ILIT life insurance death benefit year 20 | Total to ILIT if death occurs in year 20 |
|-------------------------------|--|---|--|---|--|
| AFR 6% without life insurance | \$0 | N/A | \$0 | N/A | \$0 |
| AFR 4% without life insurance | \$7,357,118 | N/A | \$7,357,118 | N/A | \$7,357,118 |
| AFR 4% with life insurance | \$3,257,846 | \$2,262,857 | \$5,520,703 | \$10,953,279 | \$14,211,125 |

Assumes earnings at 6% with loan interest paid to grantor annually. Assumes 20 limited pay approach.

This is a supplemental illustration and must be read in conjunction with the basic illustration. The basic illustration contains values using the same underwriting assumptions as this supplemental at both guaranteed charges and guaranteed interest rates and contains other important information. The values represented here are for an \$10,953,279 IUL Protect policy on a 50-year-old female preferred non-smoker. The values reflect the cost of 20 years of premiums. The values represented here are non-guaranteed and assume current charges and a current interest rate of 6.08%. If guaranteed rates and charges are used, the policy would fail in year 30.

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ADVANCED SALES | Estate Planning Strategies In A Low-Interest Environment

This comparison demonstrates the comparative advantage with the availability of a low AFR in conjunction with private financing. As you can see, with a private financing approach, a low AFR (shown here as 4%) can provide a substantial financial advantage over a higher rate (shown here as 6%). In this case, in the 20th year, the result is \$7,000,000 more available.

You will also notice that in this example, the addition of life insurance can enhance the result. In this example, in the 20th year, the case numbers demonstrate nearly 50% would be available if death were to occur.

Other planning techniques

In addition to GRATs and private financing, there are a number of other planning opportunities to consider. They may provide greater benefits for planning in a lower-interest environment.

These include:

- Sales to intentionally defective grantor trusts (IDGTs)
- Charitable lead trusts (CLTs)
- SCINs (Self-canceling installment notes)
- Private annuities

| Strategy | Definition | Value of gift | Interest rate and market value impact |
|--|---|--|--|
| Sale to an intentionally defective grantor trust (IDGT) | <p>Property is sold, subject to a promissory note, to a trust whose income is taxed to its grantor, typically the trust creator. In effect, it relieves the trust of paying taxes. Although counterintuitive, the tax payments are made by the grantor, thereby providing more funds to the trust and its beneficiaries.</p> <p>Property sold to the trust usually has depressed market values due to lack of marketability and minority interest discounts.</p> <p>Income from the property sold to the trust is often used to buy life insurance.</p> | <p>Although there is generally no gift because of this transaction, a “seed” gift of at least 10% of the sale price is typically made to reduce the likelihood of the IRS asserting that the sale transaction was a transfer with a retained interest because the trust had no means to repay the loan other than retransferring the property in kind.</p> | <p>Lower AFRs allow the grantor to charge a lower interest rate on the promissory note, making the note more serviceable by the trust if desired.</p> <p>Lower market value — prior to marketability and minority interest discounts — further compresses the size of the note and offers the potential for more leverage, particularly if the property’s value is likely to rebound.</p> <p>In addition, depressed market values, in lowering the sale price, also lower the threshold “seed gift” typically recommended by planners.</p> |
| Charitable lead trusts (CLTs) | <p>A selected charity receives payments from the CLT for a specific period or for the life of the grantor(s). The remainder after the payments cease is generally transferred to family members.</p> <p>CLTs come in two forms: annuity trusts (CLATs), which have level payments based on the initial value of the property transferred, and unitrusts (CLUTs), which have varying payments based on a percentage of the annual value of the property held by the trust.</p> | <p>The market value of the transferred property minus the value of the annuity.</p> | <p>Reduced interest rates increase the value of the annuity in CLATs, thereby reducing gift or estate value and increasing the income tax deduction.</p> <p>With CLUTs, results are neutral with respect to the impact of the AFR, as the payout rates of unitrust go up and down with the actual value of the assets in the trust.</p> |

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ADVANCED SALES | Estate Planning Strategies In A Low-Interest Environment

| Strategy | Definition | Value of gift | Interest rate and market value impact |
|---|---|--|--|
| Private financing (private split-dollar) | Private financing is a type of “split-dollar” governed by U.S. Treasury Regulations. An insured creates an irrevocable trust and lends money to that trust. | Private financing can be used to avoid gift taxes on funds that are used to purchase life insurance. It can also be used in conjunction with some limited gifting. | Federal AFR rates are used to access the interest payments required to be paid or accrued for the benefit of the grantor. Rates will vary based on the term of the loan: shortterm, mid-term, long-term. Lower interest rates reduce the amounts required to be paid or accrued by the trust. As a result, a greater amount of funds remain in the trust for the benefit of the trust beneficiaries. |
| Self-canceling installment notes (SCINs) | <p>An installment sale of appreciating assets is made to a trust that calls for the note to be canceled upon the seller’s death.</p> <p>To ensure the sale is made for adequate consideration, it is structured to include a “risk premium” to compensate the seller for assuming the risk that the seller may die before the note is repaid.</p> <p>Using an IDGT as the purchaser can avoid the recognition of capital gain and interest income that may accompany installment sales.</p> | There is no gift unless the sale price is less than adequate consideration. | Lower AFRs result in lower payments required by the buyer. |
| Private annuities | <p>The seller/annuitant transfers property to the buyer, who becomes an obligor of annuity payments to the seller.</p> <p>Traditionally, the buyer promises to pay the seller for the transferor’s lifetime, or the joint lifetime of the transferor and the transferor’s spouse.</p> | Like the SCIN, there is no gift unless the sale price is less than adequate consideration. | The impact of lower AFRs mirrors the impact on SCINs. |

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CARRIER NEWS |

REVENUE GENERATING SALES IDEA

Premier Brokerage Services has a collection of Revenue Generating Sales Ideas for the benefit of our brokers. [Click here](#) to visit the Sales Center page of our website, and login or register for access to our proprietary sales concepts.

BENEFITS OF SELLING A LIFE INSURANCE POLICY



Life Settlements are one of America's fastest growing financial products for seniors.

American seniors are lapsing and surrendering over **\$100 billion of life insurance** annually!

Through a life settlement, policy owners can receive a **CASH PAYMENT** far in excess of the policy's surrender value.

Tax guideline: Cost basis is **tax free**, and typically anything above cost basis is treated as long term capital gain. Clients should consult with a tax advisor on their specific situation.

SETTLEMENT OPPORTUNITIES

- > Coverage unwanted, unneeded, unaffordable.
- > Policy owner needs cash to fund retirement or healthcare
- > Corporate policy where client is retiring and coverage is being terminated
- > Corporate policy where owner sold the business, no longer needs coverage
- > Corporate Buy-sell policy where the policy is no longer needed
- > Estate tax laws changed, no longer need for coverage

CLIENT ELIGIBILITY

- > Policies with death benefits of \$100,000 or more
- > Insureds under age 65 with life threatening health conditions
- > Insureds aged 65 or older with serious health change since policy issue
- > Insureds aged 75 or older may qualify if healthy
- > All Policy types considered

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CORPORATE HEADQUARTERS 1-800-543-5555 • MIAMI OFFICE 1-800-683-3077



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Corporate Headquarters: 604 Harper Avenue ■ Jenkintown, PA 19046 ■ Tel: 800.543.5555
Miami Office: 3470 NW 82nd Avenue, Suite #670 ■ Doral, FL 33122 ■ Tel: 800.683.3077
www.premierbrokerage.com

UNDERWRITING INSIGHTS

Navigating The New Underwriting World

by: Greg Rorer, VP of Underwriting

The COVID-19 pandemic has changed all our lives both personally and professionally.

The pandemic brought quick, significant changes to our industry. We have all been exploring different strategies needed to keep our business moving in the midst of the current environment.

One major change has involved the underwriting of our applicants. Traditional risk assessment by life insurance carriers was clearly not an option in the various degrees of quarantine.

In response to the difficulty in obtaining exams, labs and APS reports, some carriers adjusted their existing Accelerated / Streamlined underwriting programs, allowing higher face amounts without the need for insurance exams and labs. Other carriers started to consider recent comprehensive physicals and labs done by their personal physician in lieu of traditional underwriting requirements.

The inability to obtain these APS records from closed medical facilities brought the use of electronic health records as a risk assessment tool to every carrier's attention.

These changes have helped to address the insurance needs of many of our clients, but challenges remain for older, medically impaired clients.

The life insurance reinsurance market has become very conservative in light of the unknown financial impact the pandemic will have on their business. In turn, the retail carriers, who depend on reinsurance support, have taken a similar approach.

The majority of carriers are currently not considering applicants over the age of 70. The few that might consider will only do so if they are Standard risks.

Clients in the age 60 to 70 range have rate class limitations that range from Table 2-6. Applicants with comorbid COVID-19 conditions such as heart disease, diabetes, cancer, and respiratory conditions will be postponed by many until the COVID situation subsides.

Large Case capabilities have been hindered by the reduction in facultative reinsurance support. Carrier internal retention has been reduced by some as well, all in an attempt to mitigate future risk.

The good news is that this is a temporary situation. Carriers continue to monitor their business and re-assess their guidelines with their reinsurers every 30 days. There is an optimistic view that some of these current restrictions could be lifted within the next 60 – 90 days.

As we all work through these unpredictable times, know that Premier Brokerage is here to guide you and your clients through all challenges. We have partnered with the best carriers in the industry to provide you the best possible solutions for your clients.

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ANNUITY CORNER

Is Buying An Annuity In A Zero Interest Rate Environment A Good Idea?

by: Wade Pfau, Professor, The American College

The Federal Reserve's decision to cut its benchmark federal funds rate from 1% to a range of 0% raises significant questions for those reassessing their retirement nest egg—a common occurrence following a dramatic selloff in equities according to research conducted by Indiana University's Alessandro Previtero—and the value of annuities in providing guaranteed lifetime income.

Historically low interest rates are often used as a reason to avoid annuitizing at the present and forever locking in current interest rates. The logic is that interest rates could increase in the future, which would help support a higher subsequent payout rate from annuities if one waits. This idea is worth a discussion, as it is not correct in the context of a full retirement plan.

In addition, deferred annuities that use lifetime income protections without immediately annuitizing the assets do not have this problem. Even for the income annuity, which does lock in the current environment at purchase, the case for its use becomes stronger in a low interest rate environment for someone who is already retired and spending from assets.

With low interest rates, the mortality credit or risk pooling component of the annuity payout becomes even more important, making annuities even more attractive relative to bonds. The bond interest component for spending is reduced for both tools as interest rates decrease, however annuities are hurt less by lowering interest rates, since the mortality credit component for spending is not impacted by interest rates.

Essentially, while the cost of funding retirement with an annuity increases as interest rates decline, the cost of funding retirement in other ways increases even faster than for the annuity. Therefore, the annuity becomes a better relative deal.

As well, if we consider changing interest rates and their associated risk, increasing interest rates would mean capital losses for bonds. One could not simply sell bonds for their earlier value to take advantage of the higher annuity rates. While waiting for rates to rise, if that happens, the retiree will be spending their principal when spending exceeds interest and dividends. The likelihood of needing to dip into the principal increases.

Even if rates do rise, retirees may not be able to purchase more income as they are multiplying a higher rate by a smaller pool of assets at this stage. If interest rates do not rise, bonds do not have capital losses, but the annuity payout rates do not increase. The bottom-line? Waiting entails risk. For retirees investing conservatively like the insurance company, it is likely that one burns through assets fast enough to not benefit from any possible future increased annuity payout rate. Retirees also give up some mortality credits by waiting.

In conclusion, for those who still have the potential to fund their goals in spite of recent market losses, and especially for those who are panicking and thinking to sell their stocks and leave their funds in cash, an annuity can still provide a way to lock-in a successful retirement income plan no matter what else the future may bring.

Current Annuity Pricing Sheets are available on the [Premier Website](#).

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