



An insurance funding solution with built-in flexibility

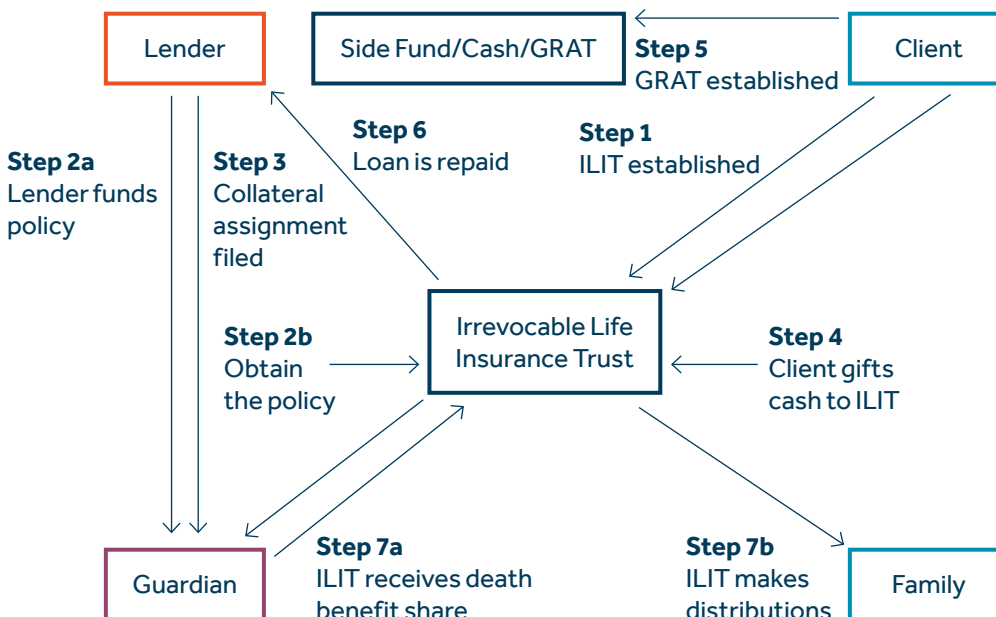
Explore how Premium Financing can help you retain capital

You've worked hard to achieve the life you have today. In order to protect the things that are most valuable to you, it may be necessary to purchase a large amount of life insurance. Rather than tapping into your cash flow or liquidating assets to fund premium payments, there is a funding option that can give you the protection of life insurance and the flexibility of financing at the same time.

Premium Financing is a technique that can help you fund a life insurance policy by enabling you to borrow your life insurance premiums at an attractive rate. You can use the life insurance policy's cash value as collateral, and you can repay the loan later when you have more liquidity.¹ It can be a solution for those individuals and business owners who need large amounts of insurance, but don't want to tap into their existing funds or liquidate high-yielding assets to pay the premiums.

How does Premium Financing work?

Premium Financing is an innovative financial strategy that facilitates the purchase of large amounts of life insurance to meet estate or business planning needs when existing cash flow is insufficient or deployed elsewhere. It can also be used when liquidating assets to pay premiums doesn't make financial sense, such as when assets are illiquid and difficult to sell, when assets yield more than the financing rate, or when there are significant tax consequences.



Please refer to the "How it works" section for details on the example used as the exit strategy for this concept.

Advantages

Premium Financing can offer both individuals and business owners numerous advantages:

- **Allows for more investment flexibility:** You don't have to liquidate your assets at an inconvenient time.
- **Allows assets to remain invested:** You can continue to leverage your assets for investment purposes when you can borrow money for less than your asset is earning.
- **Can help those who have exceeded their gift tax limit:** Your gift taxes can be minimized, so it is an alternative if your annual exclusion gifts or lifetime exemption gifts have been exhausted.

For business owners, Premium Financing can provide:

- **Greater cash flow control:** Your business can better control its cash flow and free up capital for business-critical needs, because your outlay for the policy premium is restricted to the payment of the loan interest.
- **Ease of funding for a wide array of business needs:** Premium Financing can help pay for the life insurance you may be using to fund a wide array of strategies, such as buy-sell planning, key person insurance, executive bonus plans, and the life insurance that is sometimes used to informally fund a nonqualified plan.

The strategies discussed here can be complex, and Premium Financing programs are subject to various risks. You may wish to seek the advice of your tax and legal advisors to help ensure that this technique is right for you. A Guardian Financial Professional can work with your trusted legal and tax professionals to help facilitate the process.

How it works:

- You'll work with your attorney to create an irrevocable life insurance trust (ILIT),² which will purchase and own the Guardian life insurance policy on the insured. In a business insurance case, your business generally will purchase and own the policy.
- Once you've obtained the coverage, you'll work with your financial professionals to identify a lender who will fund the insurance policy.
- A collateral assignment is placed on the policy to help secure the loan. Other collateral may also need to be obtained, such as a letter of credit.
- You can make annual exclusion gifts³ and other gifts to help pay loan interest or create a side fund.
- You plan for loan repayment, either via a side fund, a cash injection, or the use of a Grantor-Retained Annuity Trust (GRAT) to create a cash infusion. The GRAT can facilitate the transfer of money to the ILIT, while minimizing gift tax costs. In the case of business insurance, your business can use corporate assets to repay the loan.
- If the insured passes away before the loan is repaid in full, the ILIT repays the loan balance from a portion of the policy's death benefit proceeds, and the beneficiaries of the ILIT receive the remaining death benefit proceeds.
- If the insured passes away after loan repayment, the beneficiaries receive the entire death benefit proceeds.

Contact a Guardian Financial Professional to learn more about Premium Financing and how it can give you the flexibility and financial control you need, while enabling you to purchase the protection that's important to you.

The Guardian Life Insurance
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¹ Some whole life policies do not have cash values in the first two years of the policy and don't pay a dividend until the policy's third year. Talk to your financial representative and refer to your individual whole life policy illustration for more information.

² Guardian, its subsidiaries, agents, and employees do not provide tax, legal, or accounting advice. Consult your tax, legal, or accounting professional regarding your individual situation.

³ Every person can give away, gift tax-free, an amount of money or property equal to the annual exclusion amount to any number of people. The annual exclusion is \$17,000 in 2023, and is indexed annually for inflation; the person giving the money away is called the donor. The annual exclusion amount is only available if the gift is of a "present interest," which means the gift has no strings attached so that the person receiving the gift (called the "donee") has control over the money or property received.

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