

# Changing the Future of Executive Benefits



Proposal for: **KaiZen Client**

Presented by: **NIW Licensed Producer**

**Carrier: NLG**

The benefits and values shown in this illustration are not guaranteed. The assumptions on which they are based are subject to change by the insurer. Actual results may be more or less favorable. This presentation is not valid unless accompanied by two complete insurance company illustrations. Please see the full illustrations for guaranteed values and other important information



## *What is Kai-Zen?*

Kai-Zen is a strategy that helps you maintain your current lifestyle with an index life insurance policy that provides death benefit protection and living benefits in the event of a serious illness, premature death, or an inability to sufficiently save for retirement. Protecting your earnings is critical to insuring your ability to save for retirement. Due to limitations, traditional retirement plans are typically insufficient for high income earners. If you want the potential to maintain your lifestyle in retirement, you need a proactive strategy that puts more money toward helping to protect your future without putting a drain on your current finances.

Kai-Zen is one of the ONLY strategies that uses leverage to help you acquire more of the insurance benefits you need to financially protect you and your family. Kai-Zen's unique fusion of financing and life insurance offers you more death benefit and helps supplement retirement more than you could without leverage.

## Features and Benefits Provided by the Life Insurance Policy

### Initial Death Benefit Protection of \$1,500,000

A cash value Life insurance policy with death benefit accelerated riders can provide a tax-free\* death benefit and/or living benefits for:

#### **Critical Illness**

(Cancer, heart attack, stroke, etc.)

#### **Chronic Illness**

(assistance with daily living, bathing, eating, dressing, transferring, etc.)

#### **Terminal Illness**

(Illness where death is expected within 12-24 months. Term varies by state.)

Life insurance requires health and financial qualification

### Cash Value Accumulation

Potential cash value accumulation for lifestyle needs such as supplemental retirement income. Policy features include:

#### **Interest Crediting Potential**

(Opportunity for interest credited based on market index or a fixed rate)

#### **No Loss of Cash Value, 0% Floor**

(0% floor due to declines in an index)

#### **Potential Cash Value Growth Tax Deferred**

#### **Potential Income Tax-Free Withdrawals**

(Access to cash value using policy loans and withdrawals that may be income tax free)

Accelerated benefit riders may be available at an additional cost and may be subject to underwriting requirements. Payment of accelerated benefits will reduce the cash value and death benefit. Policy fees and expenses will also reduce the cash value. Policy loans will reduce available cash value and death benefit. Additional premium may be required to keep the policy in force. In the event of a lapse, outstanding policy loans in excess of unrecovered cost basis will be subject to ordinary income tax. Withdrawals are generally income tax-free, unless the withdrawal amount exceeds the amount of premium paid. The client will not have access to the policy, the cash values, the death benefits or the living benefits until the loan is repaid and the assignment is released.



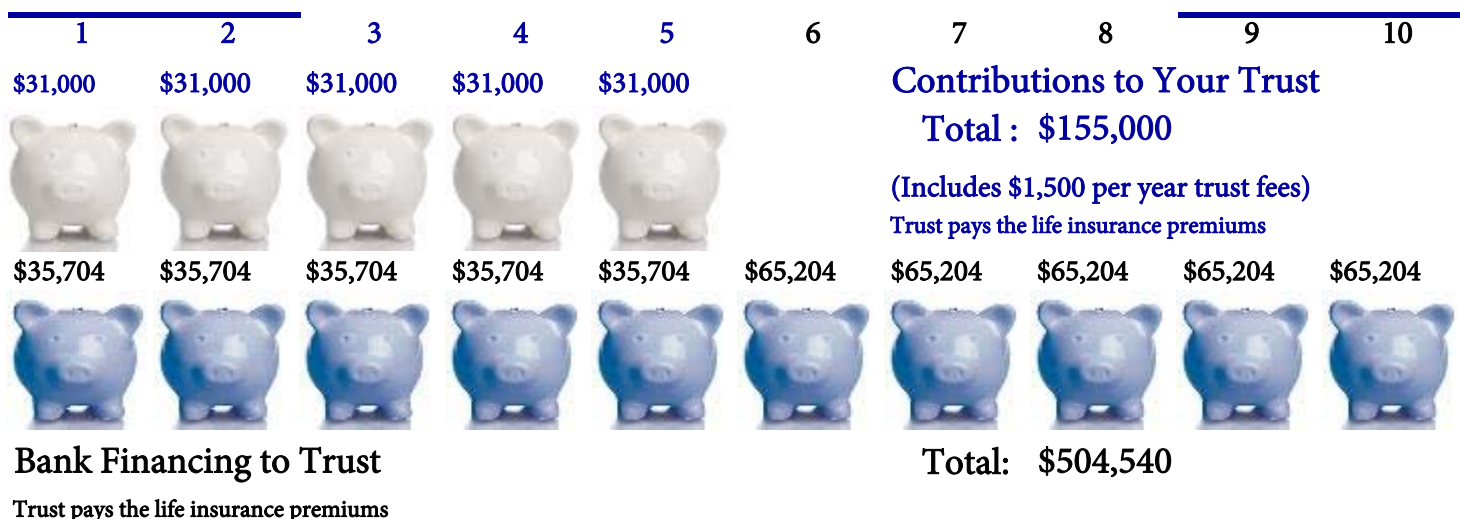
**KaiZen Client**  
**Death Benefit Amount:**

**43**

**Male PNS**  
**\$1,500,000**

*The most unique and compelling aspect of the Kai-Zen Strategy is that the participant's contributions are leveraged 3:1.*

**Annual Premium Schedule for KaiZen Client**



**How the Kai-Zen Strategy Works**

**The Kai-Zen Strategy is simple:**

A life insurance policy is jointly funded by the executive and bank financing. The bank financing provides approximately 60-75% of the total premiums to the policy.

Now executives can realize benefits far beyond what their annual contributions alone could afford them.

**The Use of Leverage**

This concept is not much different than using a bank mortgage to leverage assets to purchase a home. Money is borrowed to buy a bigger house (or with Kai-Zen, more life insurance benefits) than one could purchase with assets on hand. The amount funded into the policy has the potential for market growth without the risk of market losses due to declines in an index and uses the policy's cash value as the sole collateral for the loan.

**Years 1-5**

During the first 5 years, the participant contributes their portion and the lender finances the additional premiums into the insurance policy.

**Years 6-10**

After year 5, the participant's obligation is projected to be complete and the lender makes the remaining premium payments.

**Years 11-15**

During this time, the policy has the potential to accumulate more value and the lender's note is projected to be satisfied approximately by the end of the 15th year.

**Years 16 and beyond**

Potential policy cash value accumulation is projected for distributions for lifestyle needs such as supplemental retirement income.

This presentation is not valid unless accompanied by a complete insurance company illustration. Please see the full illustration for guaranteed values and other important information. Actual results may be more or less favorable. The initial premium going into the policy does NOT include the \$1,500.00 of trust fees and expenses that will be added each year to the client trust. Those additional payments are being escrowed into the trust account to cover the 15 years of service expenses when the loan is projected to be paid off. Riders are supplemental benefits that can be added to a life insurance policy and are not suitable unless you also have a need for life insurance. The Kai-Zen Strategy is dependent on the client making contributions for the first 5 years therefore not defaulting on the loan, which could result in bank loan exit and/or policy surrender. The client will not have access to the policy, the cash values, the death benefits or the living benefits until the loan is repaid and the assignment is released. The lender has the right to discontinue funding new premiums, exit the market or to demand loan repayment based on the terms and conditions signed by the Master Trust. See the Master Trust documents for additional information. This is not a solicitation of any specific insurance policy.

### Self-Funded vs. Kai-Zen for KaiZen Client



**Self-Funded IUL      With Kai-Zen**

Annual Client Pays Premiums Years 1- 5:	\$31,000	\$ 31,000
Annual Bank Financing Years 1-5:	\$ -	\$ 35,704
Annual Bank Financing Years 6-10:	\$ -	\$ 65,204
<b>Total Annual Premium:</b>	<b>\$ 31,000</b>	<b>\$ 65,204</b>
<b>Total Cumulative Premiums:</b>	<b>\$155,000</b>	<b>\$ 652,040</b>
Annual Cash Accumulation Potential for Supplemental Retirement Income:	\$39,000	\$ 113,000
<b>Total Cash Accumulation Potential for Supplemental Retirement Income:</b>	<b>\$1,014,000</b>	<b>\$ 2,938,000</b>
Initial Death Benefit:	\$1,000,000	\$1,500,000
Death Benefit at age 100:	\$1,379,096	\$ 5,926,974

Includes trust fees of \$1,500 per year.

Hypothetical example. Actual results may be more or less favorable - these are sample projections only. The initial premium going into the policy does NOT include the \$1,500.00 of trust fees and expenses that will be added each year to the client trust. Those additional payments are being escrowed into the trust account to cover the 15 years of service until loan repayment. This presentation is not valid unless accompanied by a complete insurance company illustration. Please see the full insurance illustration for guaranteed values and other important information. The information above is for illustration and comparative purposes only. The assumptions are subject to change by the insurer.



KaiZen Client	Age: 43	Male PNS
Death Benefit Amount:	\$1,500,000	Premium: \$ 65,204

Projected Participant Contributions with Trust/Admin Fees for 5 years:		Projected Bank Financing for 10 years:	
1	\$31,000	1	\$35,704
2	\$31,000	2	\$35,704
3	\$31,000	3	\$35,704
4	\$31,000	4	\$35,704
5	\$31,000	5	\$35,704
6	\$0	6	\$65,204
7	\$0	7	\$65,204
8	\$0	8	\$65,204
9	\$0	9	\$65,204
10	\$0	10	\$65,204
<b>Total</b>	<b>\$155,000</b>	<b>Total</b>	<b>\$504,540</b>

## Illustrated Projection Summary

Potential Net Death Benefit after Loan Repayment and Total Supplemental Income Paid:	<b>\$5,926,974</b>
Projected Annual Supplemental Income:	<b>\$113,000</b>
Projected Total Supplemental Income:	<b>\$2,938,000</b>
Projected Bank Loan Repayment from Policy in the 15th Year:	<b>\$778,000</b>

### Stress Test Using Historical Interest Rates/Policy Performance:

1980s Stress Test Annual Supplemental Income:*	<b>\$96,000</b>
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\*The 1980 simulation assumes a gradual cap increases to 15%

Great Depression Annual Supplemental Income:	<b>\$77,000</b>
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(Bank Loan payoff from policy could vary based on actual policy performance and bank loan terms.)

Policy loans and withdrawals will reduce the policy's cash value and death benefit and may result in a taxable event.



**KaiZen Client**  
**Male PNS**

**43**  
**Illustrated Rate 6.99%**  
**Bank Margin 1.75%**

**Death Benefit Amount: \$ 1,500,000**  
**Option B Increasing**

Age	Year	Loan Rate Libor Plus Bank Margin	Total Premium Paid	Client Contribution Plus Trust Fees	Bank Loan Amount	Projected Loan Repayment Using Policy Loan	Projected Cumulative Bank Loan Including Interest	Estimated Net Cash Surrender Value After Bank Loan	Illustrated Year End Projected Death Benefit	Projected Net Illustrated Year End Death Benefit Minus Bank Loan	Cash Accumulation Potential for Supplemental Retirement Income
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(d)	(H)	(I)
43	1	4.50%	65,204	31,000	35,704	-	37,987	19,877	1,557,864	1,519,877	-
44	2	4.66%	65,204	31,000	35,704	-	77,172	43,530	1,620,702	1,543,530	-
45	3	4.75%	65,204	31,000	35,704	-	118,312	69,155	1,687,467	1,569,155	-
46	4	4.75%	65,204	31,000	35,704	-	161,464	96,957	1,758,421	1,596,957	-
47	5	4.75%	65,204	31,000	35,704	-	206,663	130,343	1,837,006	1,630,343	-
48	6	4.75%	65,204	-	65,204	-	284,960	136,193	1,921,153	1,636,193	-
49	7	4.75%	65,204	-	65,204	-	367,058	144,384	2,011,442	1,644,384	-
50	8	4.79%	65,204	-	65,204	-	453,255	155,045	2,108,300	1,655,045	-
51	9	4.83%	65,204	-	65,204	-	543,849	168,326	2,212,175	1,668,326	-
52	10	4.85%	65,204	-	65,204	-	639,033	184,528	2,323,561	1,684,528	-
53	11	4.94%	-	-	-	-	671,039	212,546	1,449,079	778,040	-
54	12	4.94%	-	-	-	-	704,649	243,686	1,488,885	784,236	-
55	13	4.94%	-	-	-	-	739,973	278,232	1,527,307	787,334	-
56	14	5.00%	-	-	-	-	777,486	316,070	1,596,592	819,106	-
57	15	5.00%	-	-	-	(\$778,000)	-	350,234	843,666	843,666	-
58	16	-	-	-	-	-	-	388,550	868,318	868,318	-
59	17	-	-	-	-	-	-	430,877	892,334	892,334	-
60	18	-	-	-	-	-	-	477,620	915,457	915,457	-
61	19	-	-	-	-	-	-	529,109	968,641	968,641	-
62	20	-	-	-	-	-	-	585,780	1,024,858	1,024,858	-
63	21	-	-	-	-	-	-	648,103	1,084,221	1,084,221	-
64	22	-	-	-	-	-	-	716,579	1,146,823	1,146,823	-
65	23	-	-	-	-	-	-	671,978	1,092,987	1,092,987	113,000
66	24	-	-	-	-	-	-	627,345	1,057,890	1,057,890	113,000
67	25	-	-	-	-	-	-	582,824	1,021,921	1,021,921	113,000
68	26	-	-	-	-	-	-	538,424	984,845	984,845	113,000
69	27	-	-	-	-	-	-	494,600	946,920	946,920	113,000
70	28	-	-	-	-	-	-	451,616	908,140	908,140	113,000
71	29	-	-	-	-	-	-	410,185	836,205	836,205	113,000
72	30	-	-	-	-	-	-	370,863	759,081	759,081	113,000
73	31	-	-	-	-	-	-	334,338	676,490	676,490	113,000
74	32	-	-	-	-	-	-	301,456	588,194	588,194	113,000
75	33	-	-	-	-	-	-	273,266	494,024	494,024	113,000
76	34	-	-	-	-	-	-	248,908	486,841	486,841	113,000
77	35	-	-	-	-	-	-	228,910	485,338	485,338	113,000
78	36	-	-	-	-	-	-	213,834	490,172	490,172	113,000
79	37	-	-	-	-	-	-	204,270	502,030	502,030	113,000
80	38	-	-	-	-	-	-	205,833	526,884	526,884	113,000
81	39	-	-	-	-	-	-	214,579	560,670	560,670	113,000
82	40	-	-	-	-	-	-	231,191	604,190	604,190	113,000
83	41	-	-	-	-	-	-	256,367	658,262	658,262	113,000
84	42	-	-	-	-	-	-	290,794	723,705	723,705	113,000
85	43	-	-	-	-	-	-	334,833	800,996	800,996	113,000
86	44	-	-	-	-	-	-	389,351	891,148	891,148	113,000
87	45	-	-	-	-	-	-	454,849	994,800	994,800	113,000
88	46	-	-	-	-	-	-	531,594	1,112,352	1,112,352	113,000
89	47	-	-	-	-	-	-	619,711	1,244,058	1,244,058	113,000
90	48	-	-	-	-	-	-	719,461	1,390,327	1,390,327	113,000
91	49	-	-	-	-	-	-	967,160	1,544,185	1,544,185	-
92	50	-	-	-	-	-	-	1,257,839	1,723,512	1,723,512	-
93	51	-	-	-	-	-	-	1,601,404	1,935,814	1,935,814	-
94	52	-	-	-	-	-	-	2,010,174	2,190,523	2,190,523	-
95	53	-	-	-	-	-	-	2,496,062	2,496,062	2,496,062	-
96	54	-	-	-	-	-	-	3,040,360	3,040,360	3,040,360	-
97	55	-	-	-	-	-	-	3,648,915	3,648,915	3,648,915	-
98	56	-	-	-	-	-	-	4,328,115	4,328,115	4,328,115	-
99	57	-	-	-	-	-	-	5,084,931	5,084,931	5,084,931	-
100	58	-	-	-	-	-	-	5,926,974	5,926,974	5,926,974	-

Note: The benefits and values shown in this proposal are not guaranteed. The information above is for illustration and comparative purposes only. The assumptions on which they are based are subject to change by the insurer and/or lender. Actual results may be more or less favorable. There is an administration fee that is built into client contributions to cover 15 years which does not go into the policy (see the Kai-Zen disclosure page). Financing life insurance premiums has certain inherent risks including interest rate fluctuations, financial market performance, credit availability, insurance company ratings and stability among others which can affect the loan. Policy loans and withdrawals will reduce the policy's cash value and death benefit and may result in a taxable event. Policy cash values are not guaranteed and surrendering the policy may result in less cash value than what is illustrated. Surrendering the policy to access the cash value could result in substantial tax consequences and loss of the death benefit protection. If you accelerate the death benefit, the amount accelerated is no longer available for the death benefit or for loans or withdrawals. This presentation is not valid unless accompanied by a complete insurance company illustration. Please see the full illustration for guaranteed values and other important information. LOAN EXIT IS PROJECTED AND BASED ON PLAN PERFORMANCE. ALL TRUST FEES ARE NON REFUNDABLE ONCE THE TRUST HAS BEEN SET UP.



## Illustration Explanation and Disclosures for Preceding Page

- (A) **Loan Interest Rate** - Bank supplied projected forecast used to calculate projected loan interest.
- (B) **Insurance Premiums** - Total premium paid into the policy annually.
- (C) **Client Contributions Plus Trust Fees** - The amount participant is projected to contribute each year for 5 years (includes trust/administration fees).
- (D) **Bank Financing** - Projected amount bank will finance for 10 years.
- (E) **Loan Repayment** - In the 15th year, the bank loan is projected to be paid off by using a withdrawal and loans from the policy (underperformance could delay the repayment).
- (F) **Cumulative Bank Loan** - Accumulation of the financed premium plus interest and bank fees.
- (G) **Cash Surrender Values** - Illustrated projected policy cash surrender value minus loan balance. Actual cash surrender value will fluctuate based on insurance costs and market index results. An index policy has a 0% floor due to a decline in an index and interest is credited based on market index at end of policy anniversary.
- (H) **Death Benefit minus Loan** - The projected death benefit after loan is paid off.
- (I) **Income Stream** - The projected annual income using policy loans.

Initial: \_\_\_\_\_

### PLAN PROPOSAL - LOAN RATES & INSURANCE PERFORMANCE RESULTS

This proposal is hypothetical and may not be used to project or predict insurance performance results in the future. Because these are projections, future policy performance and interest rates are not guaranteed and are subject to change by the insurer and/or lender. Underperformance could result in a lower death benefit, cash surrender value and lower annual income (results may be less favorable). NIW nor any of its affiliates represent the lenders or the insurance carriers. This document is not intended to give legal advice or tax advice. For tax and legal advice contact your personal tax and legal advisors. Illustrated projected bank loan payoff and income stream from policy loan and withdrawals will vary based on actual performance. Financing life insurance premiums has certain inherent risks including interest rate fluctuations, financial market performance, credit availability, insurance company ratings and stability which can affect the loan.

Initial: \_\_\_\_\_

### LIVING BENEFITS (ACCELERATED BENEFIT RIDERS)

Living Benefits are provided by the insurance carriers and all may not be available with all carriers or in all states. If you accelerate the benefit to access the living benefits, the amount accelerated is no longer available for the death benefit or for loans, and the amount of death accelerated may be taxable. The loan must be paid off before you can accelerate the death benefit. Accelerated Benefit Riders are typically available at no additional cost. Please contact your insurance agent or the insurance carrier for more information on the Accelerated Benefit Riders available on your policy.

Initial: \_\_\_\_\_

### KAI-ZEN TRUST FEES

Client contribution portion of the strategy includes a trustee and administration fee of \$1,500 per year. The fee covers only 15 years of the trust fees. The fees pay for the initial trust setup, including the master trust, ongoing trustee administration of the insurance trust and annual loan servicing fees. Any changes to the trust or services outside the scope of the standard transaction are the responsibility of the settlor of the trust. If trust remains intact after year 15, any ongoing trustee fees are the sole responsibility of the settlor of the trust.

**ALL TRUST FEES ARE NON-REFUNDABLE ONCE THE TRUST HAS BEEN SET UP.**

Client Signature \_\_\_\_\_

Date \_\_\_\_\_

## NIW Companies- Innovators in Wealth Management and Protection Strategies

Since 2000, NIW has been developing innovative solutions to help high net-worth individuals successfully manage their financial future. NIW adds value by bringing substantial knowledge and expertise when designing solutions that deliver optimal insurance protections and effective retirement planning strategies.

Our team is committed to generating the best possible outcomes and delivering service that has earned the confidence and loyalty of our clients and their advisors.



*NIW is independent of any insurance company that would provide the insurance policy for this strategy.*



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