Wealth Creation Planning

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A better way to own Life Insurance!

Life insurance is the most effective way to protect against the financial risk and strain of a premature death. However, large or long term policy premiums very often create hesitation to commit capital assets or cash reserves required to make the premium payments to put a plan in place.

Traditional premium financing has been used successfully by higher net worth clients for decades. Until now net worth requirements, annual collateral calls and paying interest current have been the primary obstacles for most insured's to execute a plan. Now, through "Wealth Creation Planning" Capital Growth Insurance Services offers a new structured approach to securing a Premium Finance Life Insurance plan.

Traditional Permanent "Premium Financed" Life Insurance, Create Wealth and Security Utilizing someone else's money!

CGP FINANCIAL SERVICES

CGIS INSURANCE SERVICES

Fundamentals of Wealth Creation Planning

What is Wealth Creation Planning ("WCP")?

WCP is a standardized and simplified premium finance life insurance program, that locates a balance between a desired amount of life insurance coverage and a suitable "corresponding" assignment of collateral, appropriate to the insured's current financial situation.

- WCP inverts the purchasing and emotional process of securing life insurance coverage.
- WCP uses bank financing to pay all of the policy premiums.
- WCP leverages active or dormant assets to create significant future wealth, financial security and asset Protection.
- WCP provides benefits that extend far beyond the traditional need to replace income or cancel debt.

You Spend Your Life Creating and Building Assets, Now you can put Your Assets to Work and Build Significant Future Wealth!

Premium Payments are the Problem

Do you need a high level of life insurance protection but don't want to liquidate valuable income producing investments or other capital assets to pay life insurance premiums? Capital Growth Planning, Inc. has the solution. Our Wealth Creation Program utilizes a new, "standardized" bank approved premium finance structure allowing for a higher percentage of Insured's to secure permanent life insurance.

Protect and Create Wealth for family, loved ones, endowment planning, non profits, charities and business.

Retain Cash and Capital, use your money for other important things like investing, a second home, leisure and recreation or increase cash flow for a business.

Increase the Death Benefit by eliminating the obligation to pay premiums, much larger policies can be secured.

Benefit from Excess Cash Value in future years, insured's can potentially borrow from the excess cash value while they are still alive.

What is Premium Financed Life Insurance?

Premium Financed Life Insurance is simply an alternative method of funding the payments associated with purchasing a life insurance policy. When financing an insurance policy, the insured enters into a contract with a lender, the lender agrees to pay the insurance premiums to maintain the policy and the policy itself is pledged as collateral. Additional collateral is generally required and represents the difference between the policy cash value and the total loan balance. Premium finance loans are typically designed to be paid from the life insurance proceeds upon death; however other exit strategies may be available.

Defining a Suitable Candidate

Premium financing is not suitable for everyone. A moderate level of financial, insurance and trust sophistication is needed to understand the program. The following financial guidelines define a suitable candidate for **Wealth Creation Planning**:

Minimum Financial Guidelines

Net Worth* $1,000,000

* excluding personal residence

Suggested Age Guidelines

Age	30 – 44	(Estate Planning)
Age	45 – 65	(Most Suitable Age)
Age	66 – 75	(For Legacy/Estate Planning)

EFFECTIVE USES OF LEVERAGE

Investment (Asset) Leveraging is utilized in the Majority of Financial Markets to Build (Wealth). Examples of Effective Uses of Leverage are:

- **Real Estate Purchases**
- **Buying Stock on Margin**
- **Options Trading**
- **Currency Trading**

Collateral is required for each of these Leveraging Techniques . . .

Pledging Assets to Wealth Creation

The intent of our program is to assist qualified and interested candidates to develop a plan that involves the selection, leverage and assignment of specific **assets** (active or dormant) to create, increase or protect **wealth** using our Premium Financed Life Insurance structures. Wealth Creation Planning when properly established will help increase wealth and provide asset protection for future heirs.

At first glance, many clients immediately become fixated about the collateral component required to create the lending environment necessary for the success of the program. Once the client understands the financial leverage created by their existing assets (collateral), along with the flexibility to exchange the collateral with other assets, if needed, the collateral issue becomes secondary.

Financial Leverage at its Best

The immediate financial leverage created through this structure can be quite remarkable, depending on the client/insured's age and health class. In fact, life insurance is one of the only financial instruments that once placed in force guarantees its beneficiaries (heirs) a financially certain liquidity event (death benefit) **day one, dollar one!** For example, if a client wanted to set aside $100,000 in cash for his grandchildren and died one week later, his grandchildren would receive $100,000 and some change. If that same client utilized the same $100,000 as the collateral component and secured a $1 million life insurance contract under our Wealth Creation Planning program and died one week after the policy was issued, his grandchildren would receive approximately $1 million dollars and the collateral would go back to his estate; **this is financial leverage at its best!** The following chart provides additional examples of potential leverage per $1 million in life insurance face that can be produced through Wealth Creation Planning, listed by starting age and ending at age 85, an assumed life expectancy for client/insured males at the ages listed below:

Age	1st year Collateral	Net Death Benefit Year 1	Day One Leverage	Peak Year Estimated Collateral	Net Death Benefit @ Age 85	Leverage @ Age 85
40	**$19,235**	**$990,765**	**5,151%**	**$97,656**	**$10,179,000**	**10,423%**
50	**$26,259**	**$986,741**	**3,758%**	**$145,908**	**$4,225,000**	**2,896%**
60	**$37,418**	**$980,582**	**2,621%**	**$224,848**	**1,381,000**	**614%**

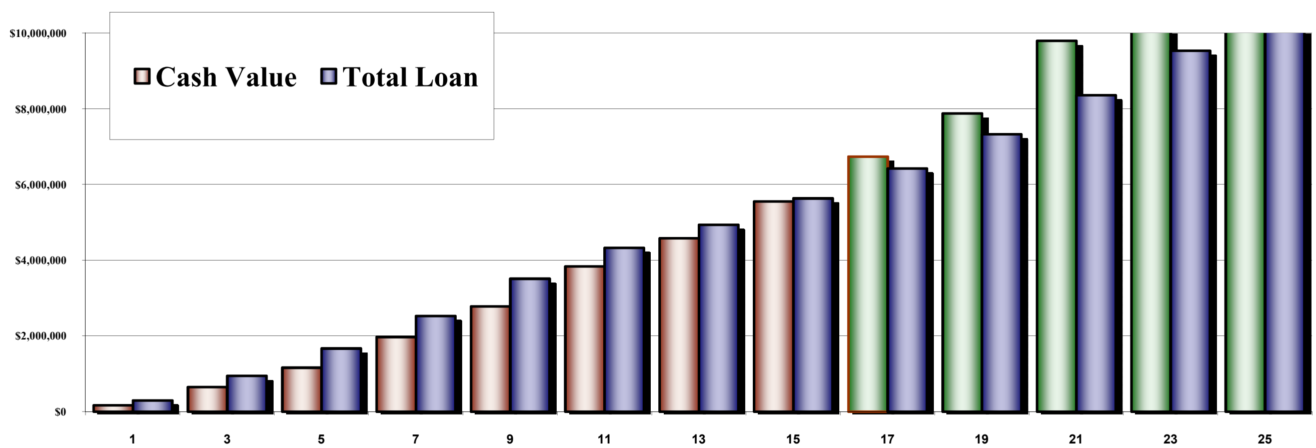
Wealth Creation Planning and Collateral

Defining and Determining the Collateral Component

Collateral is the primary catalyst in the success of **Wealth Creation Planning**. The collateral creates a suitable financial environment for premium finance lending to occur and replaces cash and/or capital assets to put a Wealth Creation Planning, premium finance life insurance plan in place.

The collateral assignment is determined by calculating the difference between the surrender cash value of the life insurance policy and the cumulative premium finance loan balance. The amount of collateral necessary to maintain the lending agreement varies from year to year and increases each year as the premiums are paid. Once all of the premiums are paid, usually over a 10 year period, the collateral amount begins to diminish. This additional guarantee (collateral) is no longer necessary once the surrender value of the policy exceeds the cumulative loan balance. The collateral period is typically between 14 to 18 years, and may be longer depending on age and health category of the insured. Simply speaking, the collateral and the policy cash value are combined to collateralize (secure) the lenders loan until the cash value buildup in the policy is sufficient to cover the outstanding loan balance and carry the life insurance contract. See the graph below. Graph based on sample policy, for a 50 year old male, from page 7.

The amount of collateral necessary to create a suitable Wealth Creation Planning structure is typically determined by taking 120% of the highest anticipated difference between the surrender cash value growth of the life insurance contract (performance) and the total cumulative loan balance including interest, this usually occurs around year 9. Allocating and planning for a 120% collateral component for the peak year along with multiple years planning in advance, provides significant policy management latitude and risk mitigation.



Acceptable Collateral (Active or Dormant Assets)

- Letter of Credit, secured by – Stocks, Bonds, Mutual Funds, Real Estate Equity
- Cash or Cash Equivalents – CDs, Bank Accounts, Money Market Funds
- Insurance Assets – Annuities, Cash Value Life Insurance
- Collectables – Art, Stamp Collections, Coin Collections

Participating Life Insurance Carriers

Our Wealth Creation Planning program utilizes "special use" Universal Life ("UL") Insurance contracts offered by various top rated national carriers; a list of those carriers will be delivered upon request.

The insurance contracts we recommend are designed specifically for premium financing strategies. Universal Life is very well suited for these structures, as it provides the best financial arbitrage opportunity (difference between loan rates and policy crediting rates) for short & long term cash value growth. Premium Finance loan structures vary and are typically based on short term lending rates, such as prime rate or LIBOR. Most national "AA" rated insurance carrier's base their interest crediting rates on their blue chip quality bond portfolios, providing their policy holders with a 1-2% average spread between crediting rates and lending rates, over time. This holds true for nearly any twenty year period profiled in the last 100 years. A second UL product structure, known as "Indexed" Universal life, also works well with finance structures. New "Next Generation" index products, specifically designed for premium finance are now becoming available, which will make indexed life the primary product of choice. These new contracts derive their financial crediting from the growth created through individually selected or managed indices such as the S&P 500, the Dow Jones Euro STOXX 50, or the Hang Seng. Though past performance is not an indication of future results, this contract/lending structure would have delivered a 2-4% average spread over any 20 year period profiled in the last 50 years. It is also important to understand that these rates will move up and down at different intervals and/or frequencies. These movements either way may be an advantage or disadvantage in the short term, but over long term periods have always balanced out to provide a highly suitable lending environment. Both U.L. products provide opportunity for solid performance, while also offering specific guarantees to the Life Insurance contract holder. We will recommend both types of contracts, depending on age, financial suitability, risk tolerance and the health status of the client/insured.

Irrevocable Life Insurance Trust

One of the ancillary benefits of our Wealth Creation Planning structure is the required use of an Irrevocable Life Insurance Trust ("ILIT") - to own, administrate and be the beneficiary of the life insurance contract issued for the benefit of the client/insured. The ILIT performs several important functions, one of which is to hold the collateral instrument and/or an assignment thereto. The ILIT is highly suited for this role, for it clearly defines each of the participants' responsibilities, in a contractual and fiduciary environment, under the control of an independent trustee.

A corporate Trustee is well suited for this task and we work directly with several who may be recommended. When properly structured, an ILIT may provide significant asset protection from future creditors, law suits and marital dissolutions for the assets it holds.

EACH PROGRAM PARTICIPANT HAS A ROLE

The Client Insured

- Has a Need for Life Insurance . . .

The Life Insurance Company

- Provides the Client with Coverage . . .

The Financial Lender

- Finances the Premium . .

Determining the Death Benefit

The primary purpose for **Wealth Creation Planning** is to provide a life insurance death benefit to the heirs (or other chosen beneficiaries) of the client/insured. In nearly every case, unless specifically designed otherwise, the life insurance structure utilizes an increasing death benefit option. This option sets the minimum face amount at the amount of the original coverage being applied for (as determined by the client/insured's needs, balanced by the collateral requirement) and increases as premium payments are made and cash values grow, which are based on the policy's performance.

To illustrate how this policy option works, please refer to the hypothetical example below for a $5,000,000 increasing death benefit policy, on a 50 year old male. As shown, Year 1 reflects a **Premium Financed Payment** of $283,680. The **Gross Death Benefit** after year 1 reflects an amount of $5,232,990 (the base face amount of $5 million, plus total cash value of $167,990, which includes a premium payment, contract performance, minus policy costs). If the client insured were to die at the end of Year 1, the Trustee of the Irrevocable Life Insurance Trust would first pay off the **Total Loan Balance** of $299,282 and the **Net Death Benefit** of $4,933,707 (plus the collateral component) would be distributed to the named beneficiaries in the ILIT. Looking further into the plan, at age 85 (the estimated life expectancy of a male, age 50), the net Death Benefit is projected to be $21,123,401, a significant amount to heirs (named beneficiaries) considering it was all accomplished with a collateral pledge (120% of calculated amount) of only $875,000 and smart financing; **Wealth Creation Planning at its pinnacle!**

The calculation of the estimated Net Death Benefit may be accomplished under this process for all other years, as reflected in the table below . . .

Death Benefit Calculation

Yr	Age	Premium Financed Payments	Gross Death Benefit	(-)	Total Loan Balance	(=)	Net Death Benefit
1	51	$283,680	$5,232,990		($299,282)		$4,933,707
2	52	283,680	5,471,566		(615,025)		4,856,542
3	53	283,680	5,716,312		(948,133)		4,768,178
4	54	283,680	5,966,882		(1,299,563)		4,667,319
5	55	283,680	6,263,820		(1,670,321)		4,593,499
6	56	283,680	6,656,145		(2,086,873)		4,569,272
7	57	283,680	7,045,861		(2,531,750)		4,514,111
8	58	283,680	7,433,389		(3,006,879)		4,426,510
9	59	283,680	7,819,778		(3,514,317)		4,305,461
10	60	283,680	8,463,591		(4,056,261)		4,407,330
20	70	0	15,002,652		(7,831,382)		7,171,270
30	80	0	29,821,945		(15,119,970)		14,701,975
35	85	0	42,132,488		(21,009,088)		21,123,401
40	90	0	59,685,329		(29,191,974)		30,493,355
50	100	0	116,349,030		(56,360,649)		59,988,381
		$2,836,800					

Our team of professionals and contracted agents are dedicated to delivering the highest possible service and support to each and every person interested in moving forward with their Wealth Creation Planning program. We appreciate your interest and look forward to providing the expertise and knowledge to service your needs, answer your questions, and efficiently initiate your Wealth Creation Planning program.

CGP

FINANCIAL SERVICES

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