

# Kai-Zen Leverage

*Providing You The Money To Create The Lifestyle You Want*





A collage of coins, torn paper, and financial terms. A glass jar is tipped over, spilling a mix of US coins (quarters, dimes, and pennies) onto a dark, textured surface. Scattered around the coins are several pieces of torn white paper with black text. The text includes 'If You Retired Today Would You Be Able To Maintain Your Current Life-Style?', 'housing market', 'economic turmoil', and 'Have You Saved Enough?'. The overall theme is financial planning and retirement savings.

**If You Retired Today Would You Be Able To Maintain Your Current Life-Style?**

**Have You Saved Enough?**





**NEED  
MORE  
MONEY?**



**Financial Obstacles Facing Executives**

# Financial Obstacles

That Could Be Keeping You From  
Reaching Your Retirement Goals

## Kai-Zen Solutions

That May Help You Get  
Back On Track



# Financial Obstacles Facing Executives

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## **Obstacle**

**Inability to save sufficiently for retirement**

If you are over 40 you should be saving about 1/3 of your income, most high income earners are currently saving 9%.

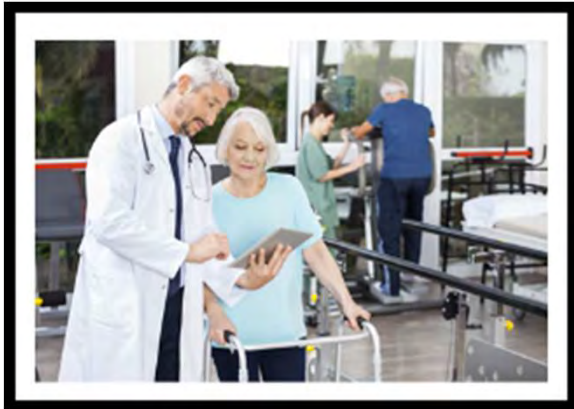
(Source: Observation)

## **Kai-Zen Solution**

Using Kai-Zen provides you the opportunity to add 3 times more money to your savings strategy today. The additional money gets you closer to what you should be saving to maintain your lifestyle in retirement, without the additional cash drain on your current budget.

# Financial Obstacles Facing Executives

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## Obstacle

### **An unplanned medical emergency**

A 65-year-old retiring today has a 70% probability of needing long term care in retirement costing \$277,000

(Source: US Department of Labor)

## **Kai-Zen Solution**

Option to provide you cash that can be used to help cover expenses due to a **chronic or terminal illness** protecting your savings from the devastation of an unplanned medical emergency.



# Financial Obstacles Facing Executives

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## Obstacle

### An Increase in Taxes

Estimates are that income taxes will double by 2033

(Source: Congressional Budget Office)

## Kai-Zen Solution

Can provide you a **hedge** against increased taxes by utilizing policy loans that provide distributions from your plan tax free.

# Financial Obstacles Facing Executives

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## Obstacles

### Market Declines

We just don't know when it will come or how severe it may be. That makes it important to have a strategy in place to protect your retirement income.

(Source: Forbes)

## Kai-Zen Solution

Offers you the potential for growth in a market index while providing protection from market declines. Once potential gains are credited they can never decrease due to market losses.



# Financial Obstacles Facing Physicians

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## **Obstacle Malpractice**

25% of US physicians are sued for malpractice each year.

(Source: Physicians Practice)

## **Kai-Zen Solution**

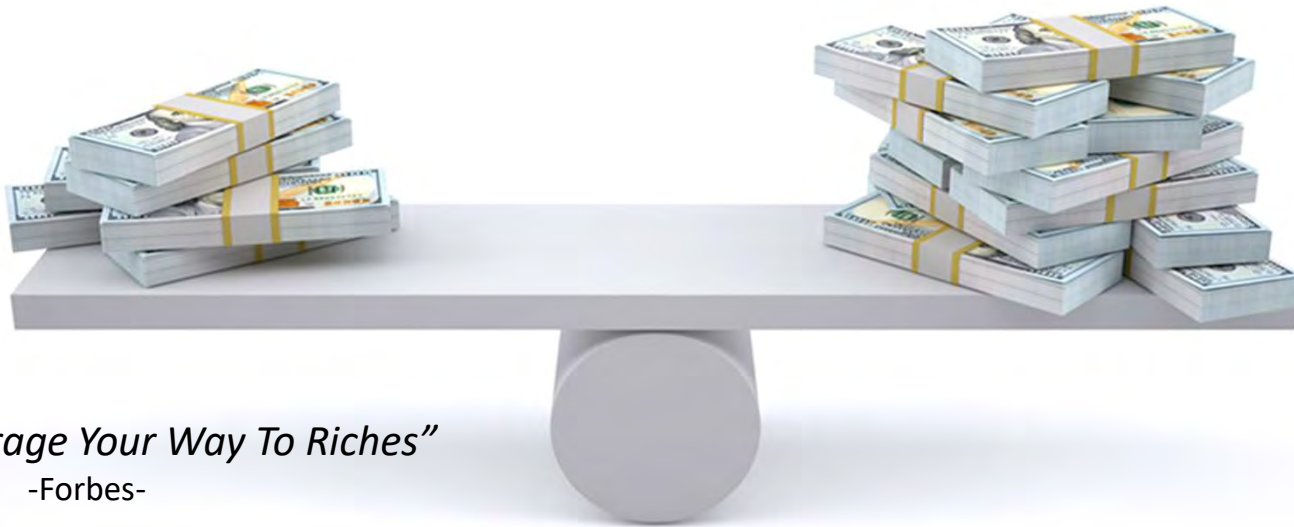
Has an asset protection feature that prevents beneficiaries and potential creditors (including previous spouses) from gaining direct access to assets within the strategy, while you are living.

**Put Your Money To Work For You Today**  
**To Help You Preserve The Lifestyle You Want Tomorrow**



# The Most Successful People Have One Thing in Common:

## They Utilize **LEVERAGE**



*"You Can Leverage Your Way To Riches"*

-Forbes-

*"When used properly, financial leverage can be one of the most powerful tools available for accelerating your wealth building velocity"*

-Maverick Investor Group-

*"Master the Concept of Leverage to Get What You Want in Business and Life"*

-Entrepreneur-





**Most Of Us Are Already Taking Advantage Of Leverage,  
Using Financing To Live In A Bigger House Than We Are  
Willing To Pay For Out Of Pocket Today**



# Introducing Kai-Zen

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Kai-Zen was uniquely designed to take advantage of **leverage** by combining it with the **cash accumulation features** of life insurance to significantly enhance your potential for more income in retirement while providing more protection for your family.

## By re-designing the typical way you use:

**Leverage**, you can maximize your potential returns on your contributions using 3 times more money in your plan, without the typical risks associated with borrowing



**Life Insurance**, we have minimized the costs normally associate with buying life insurance to maximize your potential opportunity for tax deferred growth, while eliminating losses due to market declines.

The result is the opportunity for **significantly more** supplemental retirement income

This hypothetical example is provided for illustrative purposes only and is not intended to illustrate the results of a specific life insurance policy. Loan Rates are subject to change without notice. The initial premium going into the policy does NOT include the \$1500.00 of trust fees and expenses that will be added each year to the client trust.



# Potential Benefits of Using Kai-Zen



45 Year Old Male Executive Standard Health



**Kai-Zen**

vs.



Self Fund



**Kai-Zen**

vs.



Self Fund

The result is the opportunity for **significantly more** supplemental retirement income and protection for you and your family

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# How Does the Strategy Work?

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Your contributions are combined with the lenders and paid into the policy. The policy has been designed to minimize costs while maximizing your opportunity for growth.

A small portion of the premiums are used to pay policy expenses. The expenses provide death benefit protection for your family or they can be accessed as a living benefit if needed for a chronic or terminal illness.

The surplus cash has the opportunity to earn interest in a external index crediting strategy of your choice, such as the MSCI or S&P.

Once growth is obtained, that interest is credited to the policy and locked in annually protecting the growth from losses due to market declines.



Think Advisor says:

**“Indexed Universal Life: It’s Just a Great Investment”**

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# Benefits Provided to You



**Expenses:**  
used to cover  
12 months of policy costs.



**Surplus cash:** credits interest to the policy based in part on changes in a major market index – like the S&P 500 or MSCI.

Providing a permanent Life insurance policy with living benefit riders that can provide benefits in the case of:

- **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.)

Providing potential growth:

- **Upside crediting potential** (current cap of 11%)
- **No Loss of Cash Value** – 0% Floor (no loss due to market declines)
- **Potential for Tax-Deferred Growth**
- **Potential for Tax-Free Withdrawals** (access to cash value using Tax-Free policy loans)

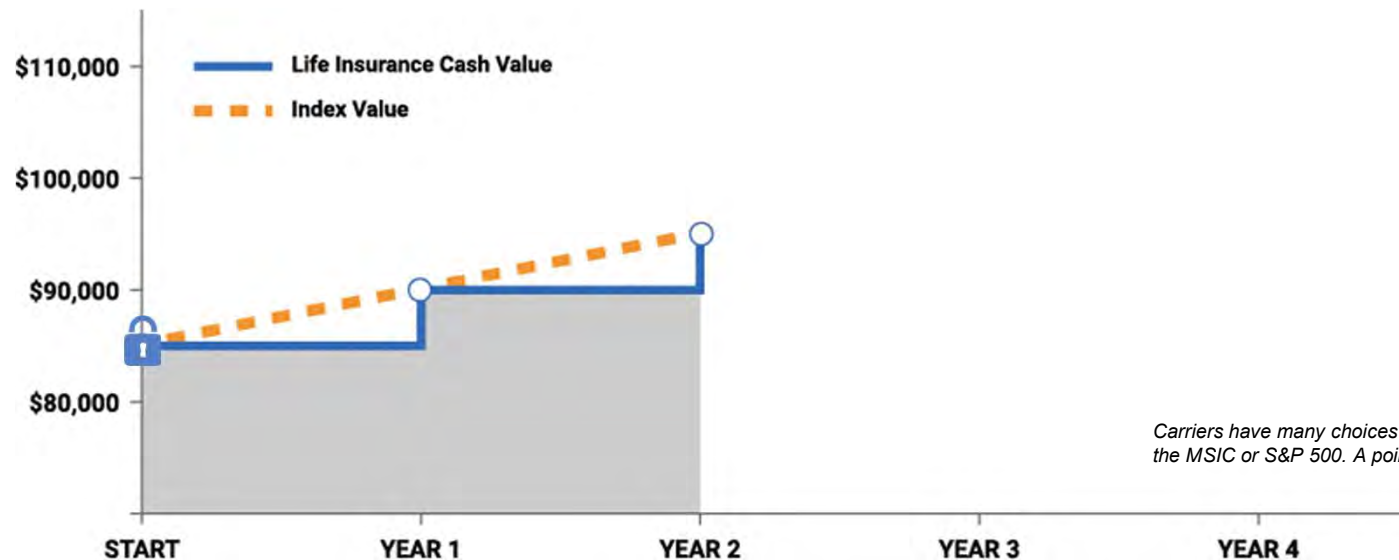
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# How is the Growth Achieved?

## Potential for growth based on a market index

Example: The Point to Point strategy gives you the potential for growth based on a chosen index (i.e: S&P) and a set period of time, (i.e: January 2018 to January 2019). At the end of the period (January 2019), if the index is positive, your policy is credited a portion of the growth based on current caps (11%) and participation rates. Growth is locked in annually and cannot be lost due to market declines.



*Carriers have many choices of indices to choose from such as the MSIC or S&P 500. A point to point strategy is illustrated.*

**For Agent Use Only**

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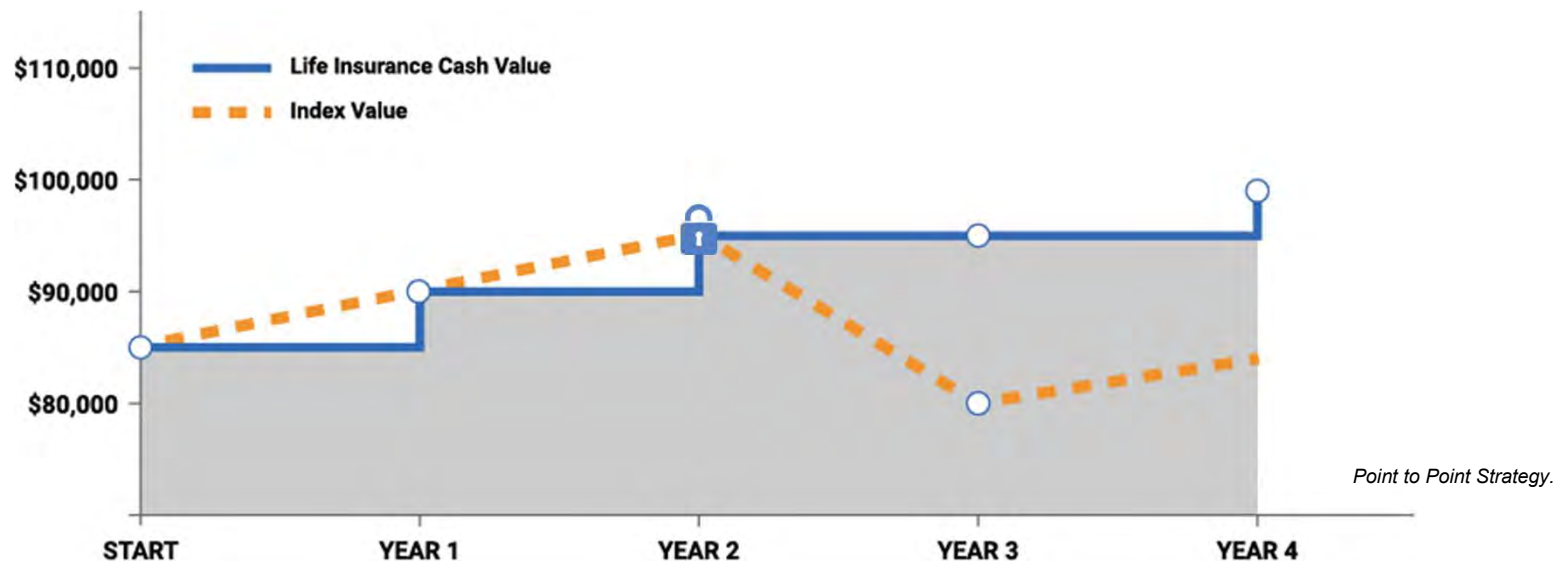




# How is the Growth Protected?

## Protection 0% Floor from market declines.

When the change in your plan is negative, it doesn't impact the cash value in the policy because you are protected by the zero percent floor. Your policy loses nothing, because your cash value is not actually invested in the index, it follows the growth. Once gains are locked in on the policy anniversary, they can never be lost due to market volatility, even if the index drops in the next year. Remember though that policy expenses will continue to come out of the policy.



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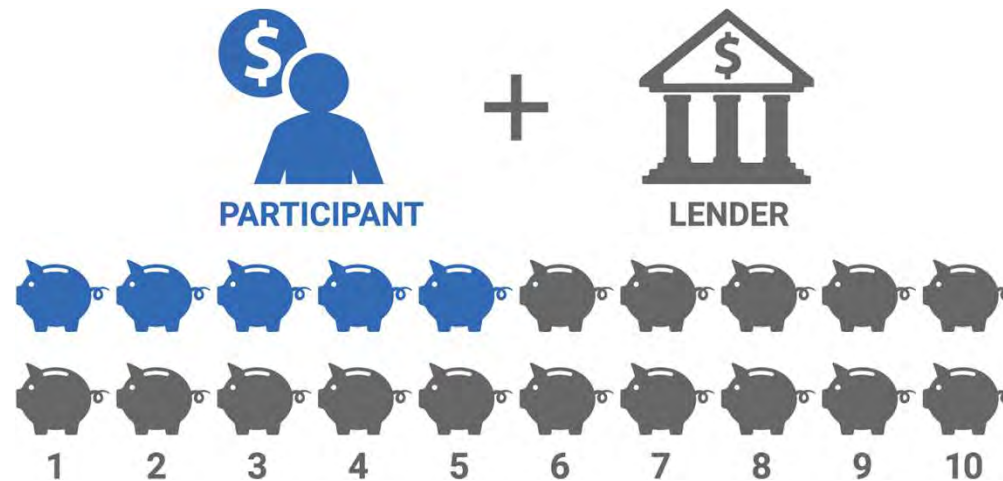




**How Does It Work**

# Kai-Zen Uses Leverage Maximize Your Potential Growth

If you had an asset that provided protection from market losses, why wouldn't you use leverage to maximize your potential to earn substantially more to supplement your retirement than you could obtain on your own?



With **Kai-Zen** you choose the amount you want to contribute annually, let's say for example, you choose \$50,000 per year. During the first 5 years, annual contributions will be combined with approximately \$50,000 from the lender. At the end of the 5th year the participants contributions end. However, the lender will continue to fund the strategy with an additional \$100,000 each year during years 6 through 10. The bank loan will be repaid from the cash accumulation of the policy at the end of 15th year. In years 16 onward, any policy growth accumulates and can be used to supplement your income in retirement.

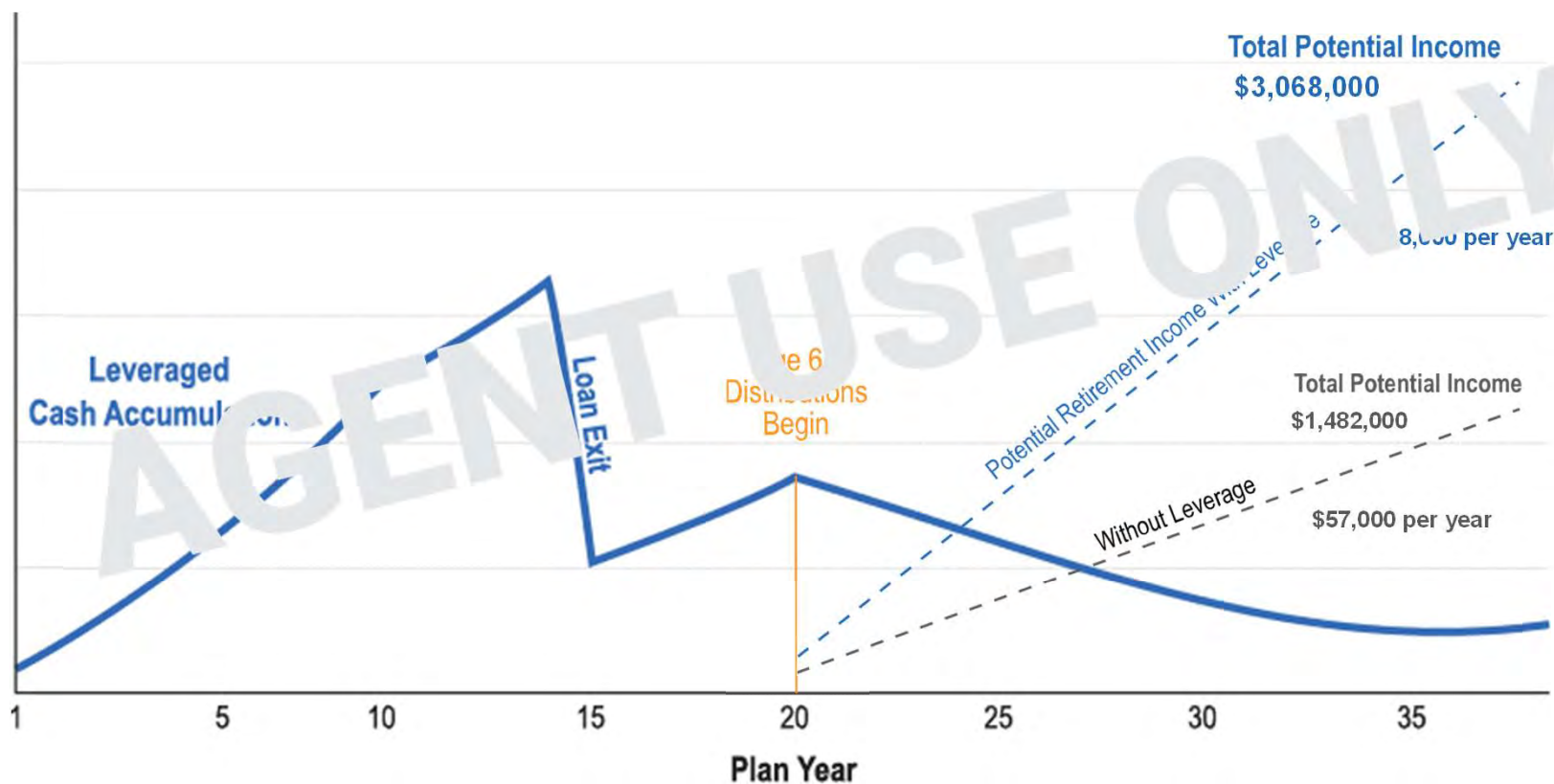
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# Loan Exit and Comparison

**Example 45 Year Old Male Standard Health**  
 Participant Contributions \$50,000 x 5yrs = \$250,000  
 Growth Rate 6.6%



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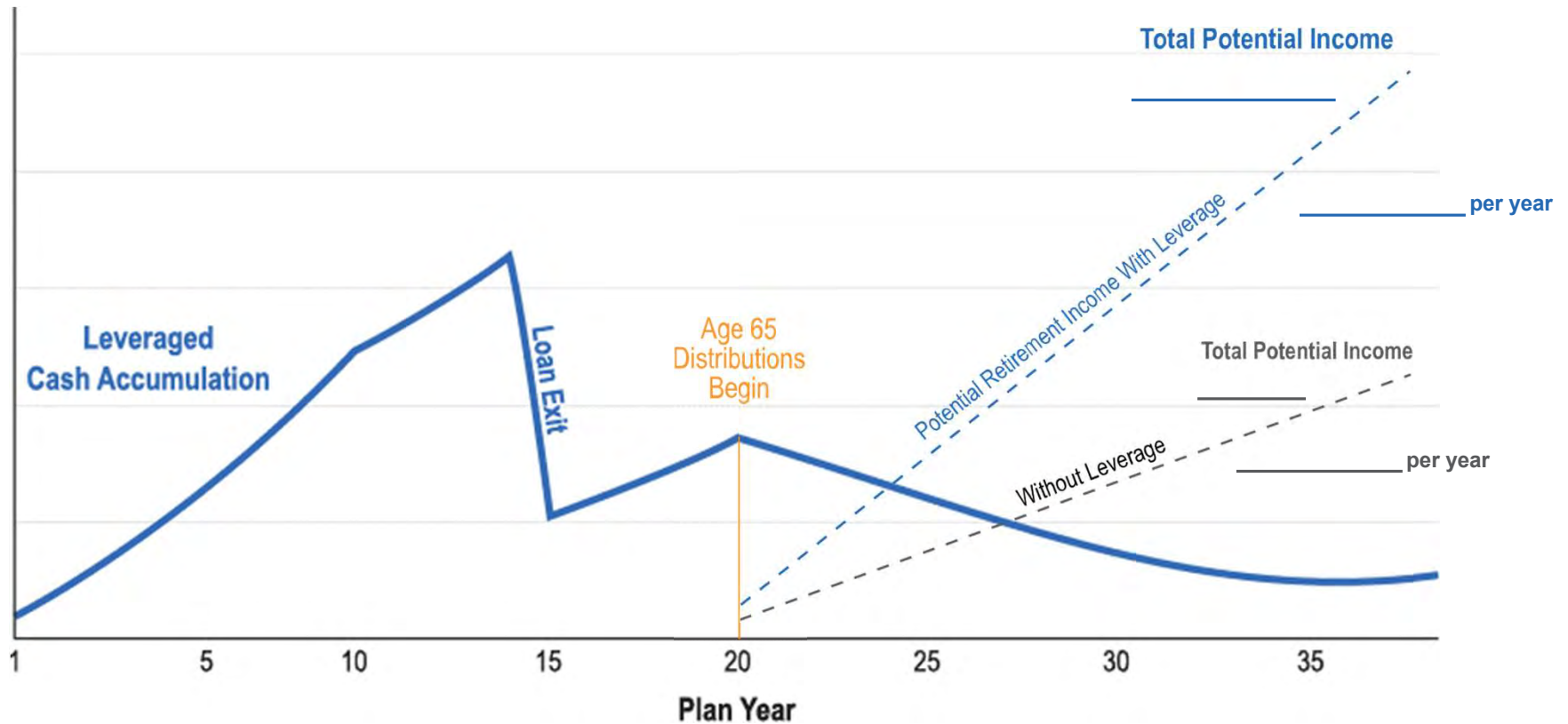


Example Age \_\_\_\_\_ Gender \_\_\_\_\_ Rating \_\_\_\_\_

Participant Contributions \$ \_\_\_\_\_ x 5yrs = \$ \_\_\_\_\_

Growth Rate \_\_\_\_\_ %

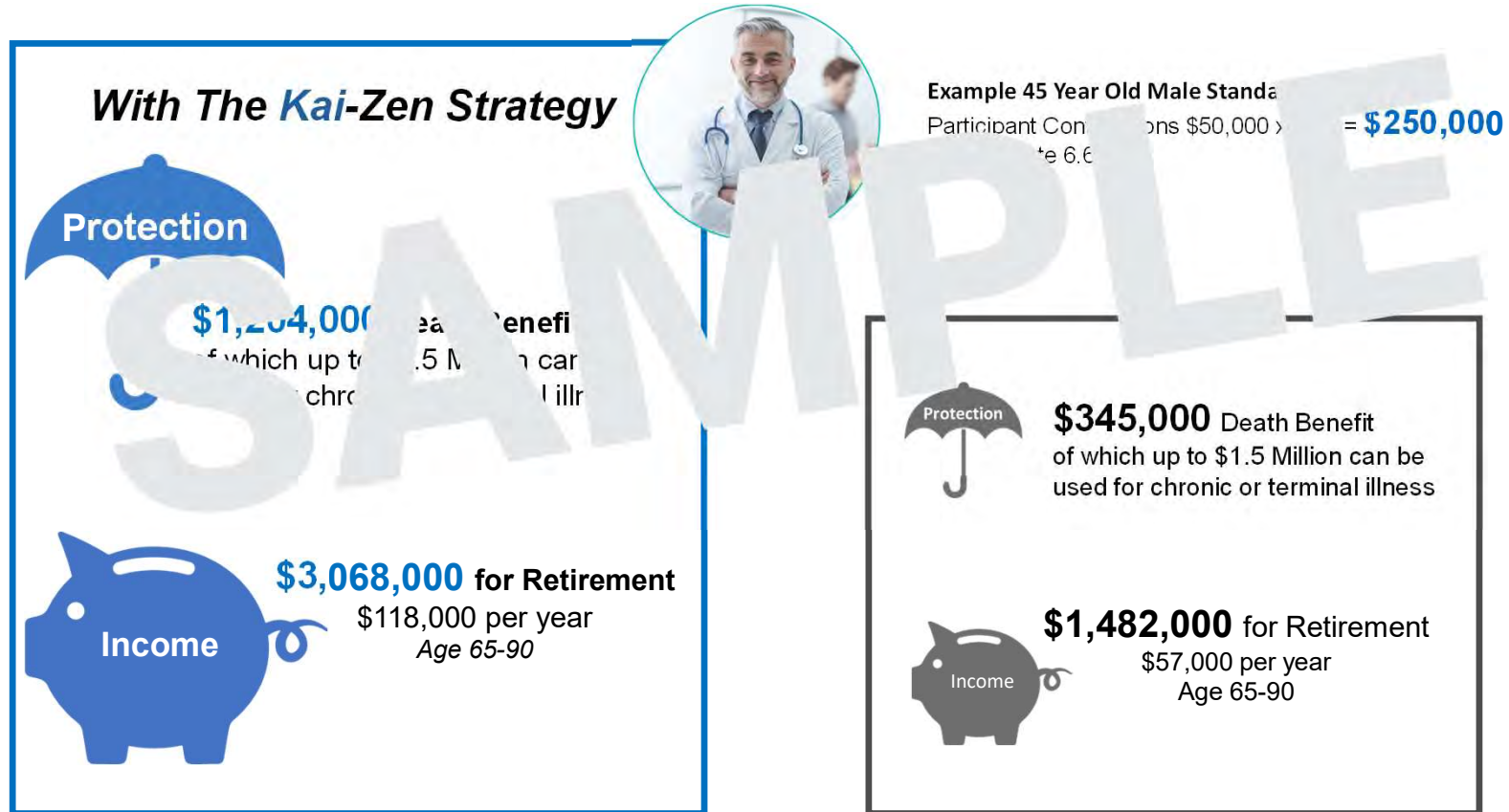
# Loan Exit and Comparison



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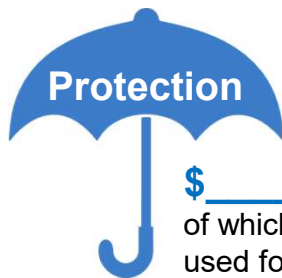
# Compare to Non-Leveraged Option



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# Compare to Non-Leveraged Option

## With The *Kai-Zen* Strategy



\$ \_\_\_\_\_ Death Benefit  
of which up to \$1.5 Million can be  
used for chronic or terminal illness



\$ \_\_\_\_\_ for  
**Retirement**  
\$ \_\_\_\_\_ per year  
Age 65-90



Example Age \_\_\_\_\_ Gender \_\_\_\_\_ Rating \_\_\_\_\_

Participant Contributions \$ \_\_\_\_\_ x 5yrs = \$ \_\_\_\_\_

Growth Rate \_\_\_\_\_ %



\$ \_\_\_\_\_ Death  
Benefit  
of which up to \$1.5 Million can be  
used for chronic or terminal illness



\$ \_\_\_\_\_ for  
**Retirement**  
\$ \_\_\_\_\_ per year  
Age 65-90

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# Ready to Enroll

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After determining how much you want to contribute per year, you will apply to enroll and complete easy underwriting to determine your rate and health class for life insurance.



**Determine Annual  
Contribution Amount**



**Fill Out  
Paperwork**



**Go Through  
Medical  
Underwriting**

# Trust Creation

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When your underwriting is approved you will be notified of the approval and will be prompted to complete an electronic form to establish a trust you control. Then you will write a check for your initial payment that will be placed into your trust's bank account, set up by the trustee.



**Send In Initial  
Contribution**





**Trustee Oversight**

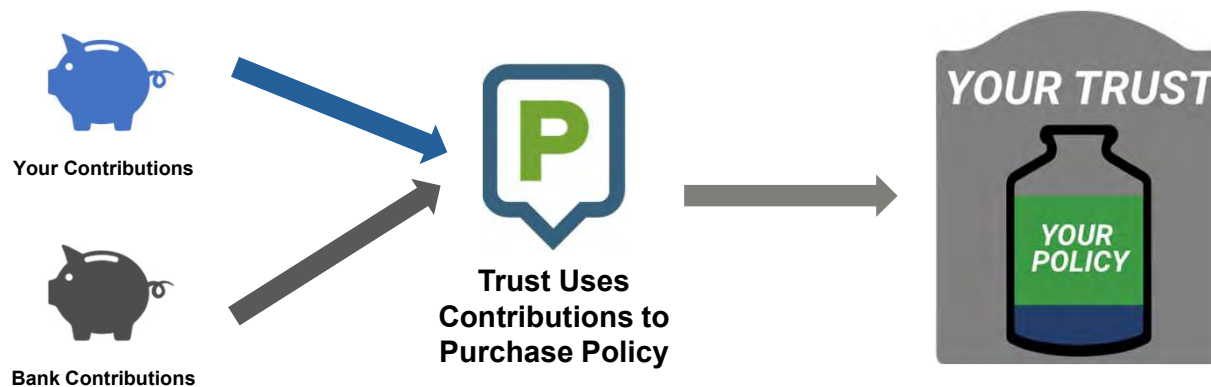


**Set Up Your Trust  
Bank Account**

# Policy Creation

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Your Contributions (  ) and matching bank funds (  ) will be sent to the Life Insurance Carrier to establish coverage. Your policy will be issued to your trust and you will receive a welcome kit.



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# Policy Assignment

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The policy is used as collateral for the bank loan. The trustee monitors the policy annually until the loan is repaid. You will receive an annual report on the performance of your strategy.

*NOTE: If you access to the funds in the policy before the anticipated loan repayment in year 15, the loan can be paid off at any time.*



**Trustee Signs Agreement to  
Pledge Policy to Lender as Loan  
Collateral**

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**Having Confidence in Strategy**

# History Behind the Strategy

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Index Life Policies give us the ability to overfund the contributions and minimize the expenses, providing principally protected cash as the collateral, nothing new, wealthy families have been using this type of financing since the 1960's

NIW has specialized in this type of financing **since 2000**. Having facilitated over **\$5 billion** of loans for our high net worth clients and a strong desire to participate in our own strategies, focused our attention on developing a strategy geared around the high income earners.

Using our long time industry experience combined with conservatism we created a financial solution for our executives and qualified employees, Kai-Zen.

NIW executives and employees are participating with you so you can feel confident that we will continually provide harsh economic stress testing, annual servicing, monitoring and design optimization with the carriers and lenders until your loan is repaid.



# Kai-Zen Advantages to the Lender

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- Cash credited can never be lost due to market volatility, even if the index drops.
- Minimized costs provide an added layer of cash in the policy to help protect the lenders money
- The plan providers have provided stress tests to the lenders showing design survivability through the harshest economic conditions in our history
- Insurance Companies provide principal protection guarantees to the policy
- Cash in the policy is used as collateral until the loan is repaid
- 3<sup>rd</sup> party oversight used to monitor the policy provides creditor protections

**One of the key advantages of using life insurance is that lenders view it as an incredibly safe asset. Understanding the safety these products provide to a lender should also provide you the confidence to use leverage to your advantage.**

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# Better Terms

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The Better The Collateral You Provide To Secure A Loan  
The Better The Terms You Get On The Loan

## The Kai-Zen Enhanced Leveraged Features

- Only 5 annual payments required by client
- Bank will add 3 times your contributions
- Low borrowing rates LIBOR + 1.75%\*
- **No Personal Guarantees** or Credit Checks
- **No Loan documents**
- **No Financial Underwriting**
- The strategy's unique design utilizes your policy contributions as the **sole collateral** for the loan
- No Interest Payments
- No pre-payment penalty

**Kai-Zen maximizes your cash, protects you and your family, all with no liability outside your contributions into the strategy.**

*\*Rates subject to change*

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*Combining long time industry experience with conservative designs to create financial solutions focused on sustainability for you.*

# Take Confidence in Your Strategy

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No one knows what will happen in the future, but looking at the past uncovers some common patterns. Kai-Zen has utilized these patterns to **help you plan** for the unknown.



# Stress Testing

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**Stress testing your designs through some of the harshest economic conditions to date** allows us to implement a strategy to help protect against potential future failures and optimizes your chances for a more successful outcome.

Although running these historical stress tests does not guarantee what will happen in the future, it certainly **gives you more confidence** in knowing that the strategy has simulated the worst economic periods the US has faced, and the designs have survived with benefits.



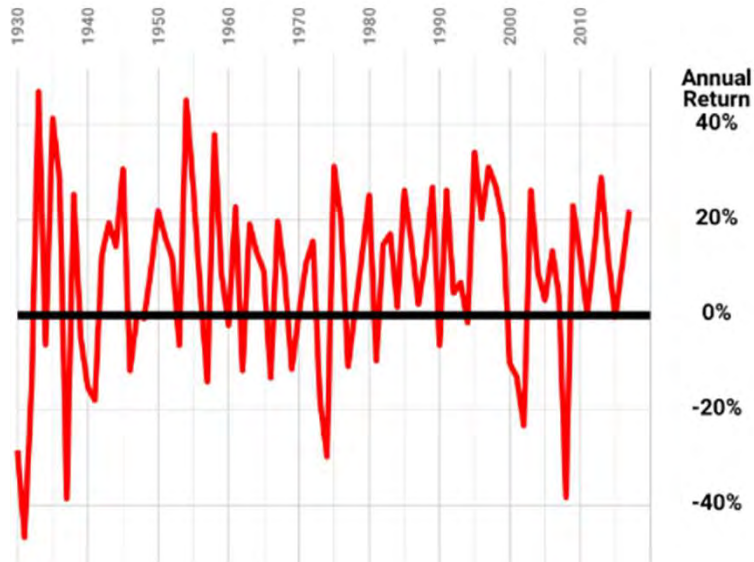
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# Risk Reduction

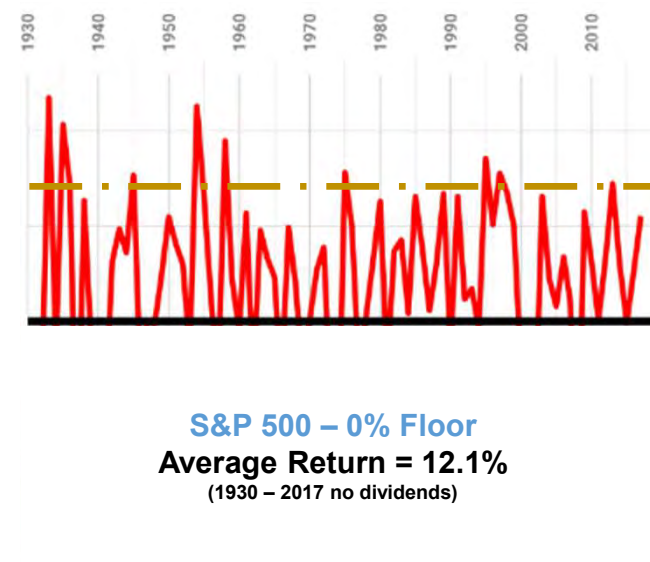
Understanding How Indexed Universal Life Insurance Reduces Risk With The Feature Called The Floor.

**S&P 500 – No Floor**  
**Average Return = 7.4%**  
(1930 – 2017 no dividends)



Source: Money Chimp

**Index Life Insurance**  
**80% Average Growth After Caps = 9.68%**  
(1930 - 2017 no dividends)



**S&P 500 – 0% Floor**  
**Average Return = 12.1%**  
(1930 – 2017 no dividends)





**Who Is Participating in Kai-Zen?**

A close-up photograph of a person's hands in a dark suit, holding a silver pen and signing a document. The background is softly blurred, showing a window with light streaming in. A semi-transparent grey box with white text is overlaid on the bottom left of the image.

**“Kai-Zen is the most compelling option I have seen in my search for a solution to maintain my current lifestyle in retirement.”**

*-Head of Private Bank Life Insurance Lending-  
Top 10 Largest US Banks*



# Strategy Performance

Client Name:

Kai-Zen Plan Advisors Inc.:

(800) 294-9940

Client Age:

50

info@kaizenplan.com

Client Health Rating:

Male Elite NS

## Kai-Zen Strategy Plan Analysis

6/5/2017 - 6/5/2018

Start of Year	Year Ending	Policy Actual Growth Rate Earned	Bank Interest Rate	Total Client Contribution with Trust Fees	Trust Fees	Client Premium Contribution Paid into Policy	Bank Financing Amount Paid to Policy	End of Year Loan Balance	Cumulative Total Amount Paid into Policy	Projected End of Year Policy Cash Surrender* Less Loan	Projected End of Year Policy Death Benefit* Less Loan
2013	2014	13.00%	2.75%	\$39,600	\$0	\$39,600	\$43,408	\$45,112	\$83,008	\$31,853	\$1,531,853
2014	2015	7.50%	2.75%	\$39,725	\$125	\$39,600	\$43,408	\$90,989	\$166,016	\$70,823	\$1,570,823
2015	2016	0.00%	2.75%	\$39,725	\$125	\$39,600	\$43,408	\$138,144	\$249,024	\$110,927	\$1,610,927
2016	2017	12.00%	3.07%	\$39,725	\$125	\$39,600	\$43,408	\$187,212	\$332,032	\$135,984	\$1,635,984
2017	2018	12.50%	4.00%	\$39,725	\$125	\$39,600	\$31,809	\$227,904	\$403,441	\$194,046	\$1,694,046
2018	2019		4.50%	\$0	\$0	\$0	\$80,688	\$322,671	\$484,129	\$224,135	\$1,724,135
2019	2020										
2020	2021										
2021	2022										
2022	2023										
2023	2024										
2024	2025										
2025	2026										
2026	2027										
2027	2028										
<b>Totals</b>				<b>\$198,500</b>	<b>\$500</b>	<b>\$198,000</b>	<b>\$286,129</b>	<b>\$322,671</b>	<b>\$484,129</b>	<b>\$224,135</b>	<b>\$1,724,135</b>
<b>Balances</b>											

### SUMMARY

5 Yr Ave Policy Return 9.00%

5 Yr Ave Loan Rate 3.06%

Current Spread 5.94%

\*Client Contributions, Trust Fees and Loans are paid at the beginning of the year. \*\*Actual Policy Values will be reported after crediting accrues at the end of the year.

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# Summary of Benefits

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Participant contributions are combined with loans and paid to your trust to fund a cash accumulation life insurance policy. A minimum amount is used to purchase the death benefit/living benefits, while the excess cash is used to maximize your potential tax advantaged growth.

## Death Benefit Features

A permanent life insurance policy with living benefit riders\* that can provide benefits in the case of:

- Critical Illness (Cancer, Heart Attack, Stroke, etc.)
- Critical Injury (Coma, Brain Injury, Paralysis, Burns)
- 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.)

## Cash Accumulation

Interest credited based on changes of a stock market index like the S&P 500

- Upside Crediting Potential (current cap of 11%)
- No Loss of Cash Value, 0% Floor (Due To Declines In An Index)
- Potential Growth Tax-Deferred
- Potential Tax-free Withdrawal (Access to cash value using Tax-Free policy loans)

## Additional Features

- Each participant has an established trust that provides additional creditor protections
- Participants strategy is not subject to the company creditors
- Trusts fees are included in the participants contributions
- Loan is repaid after the 15th year of plan participation or upon the participant's death
- Participant can take supplemental retirement income in any year following the loan repayment
- Trust distributes death benefit to participant's designated beneficiaries
- Benefits are portable





# How Does Kai-Zen Compare To Other Strategies

**Assumptions:** Male Age 45 in Standard Health. Pre Tax Bonus Amount \$75,000 per year for five years. After Tax Contributions \$50,000 per year for five years. Growth Rate of 6.6%. Policy Distributions begin at age 65 and continue to age 90. Management Fee of 0.50%. Long Term Capital Gains Rate of 20%. Income Tax Rate of 37%.

 = Total Death & Living Benefits       = Total Policy Distributions during Retirement (age 65–90)

SAMPLE



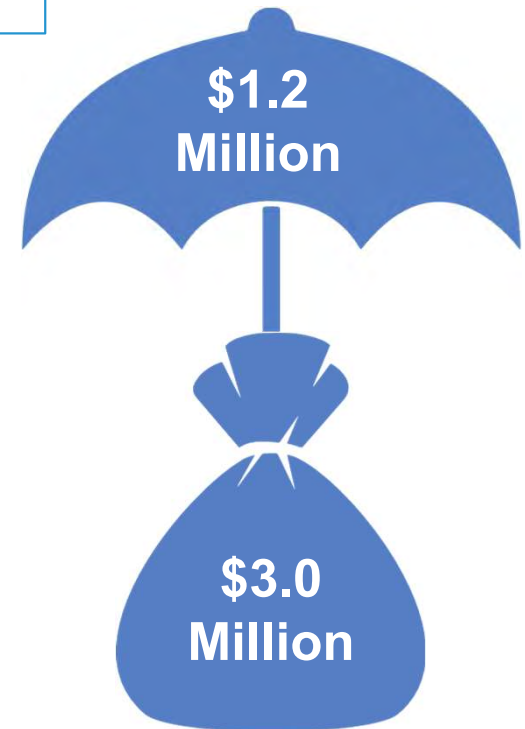
**After Tax\*  
Investment**



**Pre Tax\*  
Investment**



**Self Fund Policy\***



**Kai- Zen Policy\***

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# Illustration File

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More Money Working for You -



More Protection for You and Your Family -

**Kai-Zen**

Prepared for: KaiZen Client

Presented By: NIW Licensed Producer

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 a complete insurance company illustration for each insurance policy described. Please see the full illustrations for guaranteed values and other important information. KaiZen is responsible for the premium financing arrangement. The life insurance companies are bound by the terms of the life insurance policies that they issue.

Illustrations can be downloaded from our website:  
[www.kaizenplan.com](http://www.kaizenplan.com)

# Questions



# Kai-Zen Program Details

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## What Kai-Zen and how does it work?

Kai-Zen is a program designed to maximize the cash you are growing for retirement, while providing protection for you and your family. Kai-Zen uses bank leverage so that every dollar you contribute allows for the use of 3 additional dollars. Participant contributions are combined with bank loans to fund a cash accumulation life insurance policy. The program is designed to minimize the cost of insurance and to maximize the cash accumulation to give you more potential tax advantaged growth for retirement.

## How long has Kai-Zen been operating?

The Kai-Zen strategy was first introduced in 2012. However, the underlying financial approach has been utilized by wealthy individuals and estates (typically \$10M and over) since the 1960s. Kai-Zen is a new variation on this approach - allowing the emerging wealth market, highly compensated individuals and high achievers to participate in this type of investing for the first time. NIW has been doing business in this market for almost 20 years.

## What are the advantages of the program?

### Additional Income with 3:1 Leverage

A permanent life insurance policy with living benefit riders that can provide benefits in the case of:

- **Chronic illness** (assistance with daily living, bathing, eating etc.)
- **Terminal illness** (where death is expected within 12-24 months-term varies by state)

### Cash Accumulation

- Interest credited based on changes of a stock market index like the S&P 500
- Upside Crediting Potential (current cap of 11%)
- No Loss of Cash Value, 0% Floor (Due To Declines In An Index)
- Potential Growth Tax-deferred
- Potential Tax-free Withdrawal (Access to cash value using Tax-Free policy loans)

### Additional Features

- Each participant has an established trust to provide additional creditor protections
- Participants strategy is not subject to the company creditors
- Participant can take supplemental retirement income in any year following the loan repayment
- Benefits are portable if the employee leaves





# Contributions / Payments

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## **What is my commitment?**

You are required to make a premium payment each year for five years, complete a life insurance application (which may include medical underwriting) and sign all the necessary trust forms.

## **What limits are placed on how much I can contribute?**

The minimum contribution amount is \$20,000 per year. You can contribute as much as you like if you qualify financially for the coverage.

## **What if I cannot make the annual contribution one year?**

If the annual contribution cannot be made, the lender will call the loan. At that point, money can be deducted from the policy or it can be surrendered to repay the loan. If there are any remaining funds, they will either continue to fund your policy or be returned to you.

## **Is there a minimum death benefit?**

Yes \$1,500,000.

## **How is the bank loan paid back? / When does the bank get their money back?**

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).

## **How are the premiums paid?**

This strategy has 10 premium payments. You will make roughly half of the first 5 premiums. The bank lends you the other half of the premium for the first 5 years, and the full premium in years 6-10. Giving you the 3 to 1 leverage. Your contributions are sent to your trust first and then to the insurance company.

## **Do I have to pay contributions annually or can I pay monthly?**

In order to meet the lender's requirements, an annual contribution is required to get started. After the initial contribution, you can send monthly payments to your trust, as long as, the total amount has been paid 30 days before anniversary.



# Bank Loan Questions

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## **Why is a bank loan being used?**

Leverage allows your policy to accumulate more cash value than it would have had you not used the bank loan. This program affords you a unique opportunity you cannot get anywhere else - the opportunity to use roughly 3:1 leverage without financial underwriting. The program is predicated on the idea that the crediting rate of the insurance policy will be greater than the interest rate for the leverage.

## **Do I need to apply for the loan?**

No. There is no loan application or loan underwriting. The policy is assigned to the bank and is used as the only collateral for the loan.

## **Do I need to make interest payments?**

No. The interest is rolled up/capitalized into the design and repaid after year 15 when the loan is repaid.

## **What happens after the bank is paid back?**

Once the lender has been repaid, the policy assignment will be released. 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). Once the bank loan has been repaid you can take distributions in the form of policy loans, at any time (dependent on the cash value).

## **Are there additional fees or costs outside of the premiums?**

Administration and trustee fees are included in your contributions and shown on the illustration. The administration/trust costs are charged for 5 years and cover 15 years of servicing/trustee fees.



# Program Performance

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## **What is the benefit of purchasing Kai-Zen vs a traditional life insurance product?**

Most supplemental retirement plans are limited by the size of the investment (essentially, how much money you have available to spend on funding the investment). Kai-Zen takes the money you have available to spend on the plan and multiplies it on average by three times using leverage with additional bank money, creating a MUCH larger investment.

Keeping all assumptions the same, Kai-Zen typically generates significantly more supplemental retirement income vs non-leveraged plans.

Other programs using leverage, require either you or your employer to qualify for a loan and to be responsible for any shortfall in the plan if the policy cash value is insufficient to cover the loan amount, meaning you have additional liability outside of the policy. Using Kai-Zen you are not legally linked to the loan, as your sole liability is the contribution payments you make to the plan. You don't qualify for a loan, you don't sign loan documents, nor do you make monthly or annual interest payments.

It is a unique loan in the market, but the net result is significantly more supplemental income and your protection benefits are typically double.

## **How will I know how my policy is performing?**

You will receive an annual review and policy statement from the plan administrator. The review will contain information about the policy performance and amount of growth credited to the policy.

## **Do I have any risk if there isn't enough money to pay back the bank?**

The bank uses the policy as the only security for the loan. The bank must be repaid before you can access the policy's cash value. There are no loan guarantees, there is no liability outside of the policy itself, as well as the payments that you make into the plan.

Like every investment there are risks due to poor market performance or interest rate risk. There is no way to predict what the market will do in the future, NIW uses conservative assumptions, provides annual servicing and monitoring with the carrier and lenders until the loan is repaid. Stress testing has been done to simulate the impact extreme financial environments like the Great Depression and the high interest rates of the 1980s would have on the strategy.

## **Will the cap rates change on the IUL Policy?**

Insurance carriers have the ability to increase or decrease the cap rates. Whatever the rate is when your premium or cash value starts a new indexed period is locked in for that period. If the carrier were to increase or decrease the cap rate, it would not impact your policy until the next segment began.

## **What happens when I get a 0% return?**

You will get a 0% return every time the S&P is negative, which is a good safety stop to have. While you have 0% from an investment return perspective, insurance and management costs will still be deducted from the policy.



# Program Performance Continued...

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I have always been advised that buying term and investing the difference” was the best way to purchase insurance, how is this strategy different?

The logic behind “buy term and invest the difference” is that you spend the least amount of money to purchase your death benefit protection, while using the rest of your money to focus on growth.

The fallacy of the logic is that few ever invest the difference. For those that do, their assets would have full market risk, tax on gains, no creditor protection and no leverage.

The Kai-Zen leverage was designed to minimize your costs while maximizing your potential **tax deferred growth**. Kai-Zen has the added advantages of:

- No financial underwriting for leverage
- Asset protection
- Access to tax free distributions (via policy loans)
- Reduced market volatility

# What if Questions

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## **Can I get out of the program whenever I want?**

Yes, but the bank must be repaid before you can access your policy's cash value. If you decide to get out of the program, you can either surrender the policy pay off the loan. You can then take the leftover money and walk away.

You can also borrow the money from the policy to repay the lender and leave the policy in place.

## **What happens if I leave my employer before the bank loan is paid back?**

The five-year annual premium election is irrevocable. If the premium is not paid, the lender calls the loan. They will take their loan amount out of the policy and the rest of the cash in the policy (your contribution plus growth minus any fees) is now yours to control.

You can choose to pay the remaining premiums on your own and the program will continue. If you have made the 5 premium payments, the program will continue as normal even if you have left your employer.

The program is not contingent on your employment with your current employer.

## **What happens in the event of death before retirement or if I need to access the living benefits before the loan is paid off?**

In the event of death, if the loan is still in place, the loan will be first to be repaid - with remaining funds sent to the trustee to deposit into the trust. If no loan is in place, funds will be sent to trustee for disbursement. The trustee will then pay out proceeds to beneficiaries.

If you need to access the living benefits while there is a loan in place, you or your family will need to contact the plan administrator or trustee to help facilitate a smooth loan payoff and then to trigger the claim on the living benefit riders from the life carrier.

## **If I exit the program, what do I receive and how is it taxed?**

Each individual's situation is unique, and we recommend you consult your tax advisor before making any decisions. However, generally, when surrendering your policy, if there is no gain in the cash value over total premium paid into the policy (yours and the lender's) there is no tax owed. If the cash value does have gain, you would be taxed on the gain.



# Distributions / Policy Loans

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## How are distributions taxed?

Everyone's situation is unique, and we recommend you consult your tax advisor before making any decisions. As a rule of thumb, if you take your distributions in the form of a policy loan, the distributions are not taxed, assuming your policy remains until your death. At that point, your death benefit is used to repay the policy's outstanding loan balance. You also have the option to take a withdrawal from your policy. To the extent that the amount withdrawn from the policy is less than the amount you paid in premium, it can be taken tax-free. If, at any point, you surrender your policy, any cash value and/or loan balance in excess of premiums paid is taxable to you at ordinary income tax rates.

## Are distributions from the policy at retirement fixed?

No. We have done our best to project this programs performance using reasonable assumptions; however, actual market performance will dictate the distribution amount that can be taken in any given year. You can decide when, how much and how long you want your distributions to be (based on available cash value).

## What if I don't need the retirement income when I retire?

You may delay the distributions or not take them at all. If you decide to forgo the distributions all together your heirs will get a larger death benefit.

## How can I borrow so much from the policy when there does not seem to be enough cash value?

This is a key advantage of some life insurance policies. When you take loans from the policy, you are NOT actually borrowing from your policy, rather you are borrowing from the life carrier itself. When this happens all your cash accumulation is still growing inside the policy. The surrender value you see illustrated is that number minus the amount needed to repay the carrier's loan back. The loan cost is shown at 1% less than the illustrated return rate.

When looking at an illustration the surrender value represents your cash value accumulation minus the loan to the carrier which equals the cash surrender value. Your distributions from the policy are represented by the amount of total cash accumulation not the total surrender value.

## Can the death proceeds be excluded from my estate?

Yes, you can elect to make your trust an irrevocable trust, but you should talk to your tax and/or legal advisor, as distributions from an irrevocable trust could be taxable.



# Trust Questions

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## **Why do I need a Trust?**

Lenders require a bankruptcy remote entity in order to secure their loan. In addition, having a trust gives you added protection.

## **Who is the trustee?**

The trustee is a national, well-known professional trust company, who is independent from NIW (references on trustee can be provided). The trustee receives no compensation from the plan providers outside of the trustee fees.

## **What kinds of trusts are available?**

The trust can be set up as either revocable or irrevocable. The trust template is pre-approved by all parties. If the participant is likely to want to request distributions after the loan is paid off, they would most likely choose a revocable trust. If the participant is buying the insurance policy to protect their estate, an irrevocable trust may work the best.

## **What is a trust settlor?**

The person who controls the trust. Typically, the insured.

## **Who owns the policy?**

The trust. You and your dependents are beneficiaries of the trust.

## **Why does the trust have to exist before the policy is issued?**

The trust is the owner of the policy and needs to exist before the policy is issued.

## **If a participant comes out of the plan before 5 years, do they get their unused trust fees back?**

Trust fees are nonrefundable the first year and thereafter, the participant can get back any unused portion.

## **After the 15 years is over and the loan is paid off, does the client need to pay any continuing trust fees?**

After 15 years, the client has an option to dissolve the trust, choose different trust company, or stay with the initial trust company and pay fees directly to the trustee at an agreed upon price.

## **How does the trust provide asset protection?**

Nevada Asset Protection Trusts include a Spendthrift Provision that prevents beneficiaries and potential creditors (including previous spouses) from gaining direct access to assets within the trust.

