



General FAQ

PARTICIPANT ELIGIBILITY

Q: Who is eligible?

A: Individuals ages 18-65 with standard or better health and earning over \$100,000 annually in most cases. Other plans require income over \$200,000 to participate.

Q: Why can't individuals over 65 participate?

A: Unfortunately, individuals over 65 can't participate due to the financing aspect of the program. At age 65 or over, there isn't enough time to build up sufficient cash accumulation in the insurance product to be able to successfully exit the loan and still have cash for retirement or a viable death benefit.

Q: Who is Kai-Zen designed for?

A: Kai-Zen is an executive benefits program aimed at highly compensated individuals or professional groups, such as law firms, medical doctors, engineers, and other professionals that need an additional avenue over and above their normal 401K plan to help them save for retirement and plan for their future. Kai-Zen is particularly attractive for pass through entities where traditional deferred compensation is not viable, or groups that have maxed out their qualified plans and still want to save more. It can also be a great vehicle for Buy-Sell plans, Key-Man Insurance, Stock Redemption, and Partner Buy Out.

Q: Is there a minimum or maximum death benefit?

A: The minimum death benefit is \$1,500,000. While there is no maximum death benefit, any death benefit over the \$1,500,000 will be approved based on the participant's individual income, net worth, and current insurance in force.

Q: Can Kai-Zen be sold to individuals or only groups of employees?

A: This strategy can be sold to either an individual or a company/group. If you are selling to an individual or group of individuals that are not related, the benefit of Kai-Zen is it allows us to group together unrelated individuals to build up a group size that is large enough for our lenders to finance at attractive rates. If you have a group of related employees, and the group is large enough, it is possible to obtain financing at lower death benefit amounts which may make Kai-Zen more attractive for companies and employees alike.

Q: What are the typical applications for which Kai-Zen would be used?

A: A lot of Kai-Zen participants got a late start at saving for retirement and needed an additional way to save for retirement over and above their company 401K plan. Kai-Zen can also work for Key Man Insurance, Buy-Sell, and succession planning within a company.

Q: How does Kai-Zen work?

Kai-Zen works similarly to your company matching your contributions to your 401K. However, instead of traditional matching, Kai-Zen uses lender money to match your 5-year contribution to a life insurance policy by 3x over a period of 10 years. Another feature of Kai-Zen is that the lender money is secured solely by the policy itself. Once the loan is paid off using cash from the life insurance product, the participant has access via policy loans to supplemental income and other living benefits within the policy.

Kai-Zen gives participants the ability to purchase more life insurance benefits than they normally would be able to on their own and only requires five annual contributions instead of paying premiums for life as with most insurance products.

Q: When will I be able to access the supplemental income in the plan?

A: Normally our designs require you to wait until you are 65 or older to start accessing income since this will be when you are retired and need it most. However, the loan is scheduled to be paid off in year 15, so technically after year 15 a participant will have tax-free access to the cash in their policy via policy loans.

The exact amount of income will depend on the performance of the product over time. The combination of lender matching, downside protection on the Indexed Universal Life policy (0% floor), and the tax advantages will all help determine the amount of income you can receive.

Q: What if I can't make the annual contribution one year?

A: If the annual contribution cannot be made, the lender will call your portion of the loan and take the remaining loan amount out of the cash value of your policy. The cash value will be used to repay the loan or surrender the policy in full, and then the trustee will refund the remaining funds (minus any trustee or admin fees) directly to the participant. If a withdrawal from the cash value of the policy can be made to retire the loan, you can still maintain your policy and make premium payments as necessary.

Q: Do I have to pay annually or could I pay monthly?

A: For the first year the full annual contribution must be paid up front. However, you can fund your trust monthly or quarterly from that point forward if the total of the full annual contribution is in your trust account 30 days prior to the anniversary of the policy. You can

also deposit all 5 contributions into the trust up front or some variation within those 5 years. This may be useful for businesses with wide cash flow swings.

Q: What is the benefit of participating in Kai-Zen vs. purchasing a traditional life insurance product?

Because of the third-party lender, Kai-Zen allows the participant to purchase more death benefit and more living benefits than they could afford on their own. The addition of financing puts more cash into the policy and allows the cash accumulation in the policy to build up to a much higher amount. This higher cash value translates into more supplemental income for retirement once the loan is paid off. Plus, with Kai-Zen the participant only pays five years toward the premium, whereas most other self-funded policies require ongoing premium payments for years and years.

Q: Why does Kai-Zen sound “too good to be true”?

One of our biggest challenges is hearing that Kai-Zen sounds “too good to be true.” So, let’s look at the main reasons for prospects saying this.

Understanding the underlying indexed universal life policy – The IUL provides numerous benefits such as tax advantages and upside crediting without downside loss. Since the policy is at the center of Kai-Zen, it is crucial to understand how the underlying policy works before the financing portion is added. For more information on how an IUL works click here: http://www.niwc.com/wp-content/uploads/2016/12/IUL-Setting-the-Record-Straight_0213-1.pdf

Understanding third party financing without needing to qualify for the loan – Kai-Zen is made up of an Index Universal Life policy and a safe bank loan that conforms to all the regulatory requirements the banks need to conduct normal loan structures.

- The Index Universal Life insurance policy is an attractive asset for banks to finance because it accumulates cash value over time. Kai-Zen is designed specifically so that the cash value secures the bank loan without personal guarantees.
- The Kai-Zen design performs stress tests to account for worst case scenarios, meaning that the loan is still secured by the cash value in the policy even in a highly volatile market such as the Great Depression
- Kai-Zen is structured where each policy is ring fenced and asset protected, which protects the lender’s loan from outside threats.

Using leverage to buy life insurance is common with wealthy families, because it allows individuals to afford more of the protections they need while maintaining their liquidity. Instead of relying on one wealthy family, Kai-Zen achieves the same results by pooling the funds of groups of individuals.

So, although this is new in the supplemental retirement market, the practice of premium finance is something that has been used by the wealthy for decades. When structured this way, it is extremely unlikely for the lenders to lose their money.

LIFE INSURANCE PRODUCT FEATURES

Q: How does my health affect life insurance pricing?

A This plan works best when you are rated at a standard or better rating as it keeps cost of insurance down and results in a more successful outcome.

Q: How does an Index Universal Life (IUL) policy work?

A: Click [here](#) to learn more about IUL products.

Q: How are withdrawals from the policy tax advantaged?

A: Because the cash is accessed as a policy loan, and not a “withdrawal.”

Q: How will I know how my policy is performing?

A: You will receive an annual review and policy statement from the plan administrator, Kai-Zen Plan Advisors. The review will contain information about the policy performance and amount of interest credited to the policy – along with the outstanding loan balance and current interest rates of the loan.

LENDING FEATURES

Q: What happens if the loan is called?

A: Although this has never occurred, the Kai-Zen administrator would either move the loan to another lender or work with the lender and carrier to withdraw enough cash from the policy (or policies) to pay back the lender and still maintain the policy. If the policies have sufficient funds, they are yours to do with as you feel fit. If surrendered, any excess proceeds would be paid back to your trust for further distribution. Once again however, the loan is fully secured and is a safe investment for the lenders so this is unlikely to happen. NIW also has multiple institutions and lenders to cushion for this possibility and to maintain stability within the plan.

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

A: In the event of death, the lender will automatically be repaid (if there is still a loan in place) to pay off the existing loan balance from the death benefit of the policy. Then, any remaining funds will be sent to the trustee to deposit into the trust. From there, the trustee will follow any directives that were set up in the trust by you e.g. distribute to the beneficiaries named. 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 (Kai-Zen Plan Advisors, Inc.) or trustee to help facilitate a smooth loan payoff., then to trigger the claim on the living benefit riders from the life carrier or a policy loan to withdraw cash value so you can access the money.

Q: What happens to the policy if the return is less than the illustrated annual rate?

A: The illustrated rate is just that, a hypothetical illustration. However, if you make your annual contributions, the coverage and benefits should remain intact. The advantage of Kai-Zen is that there is no downside market rate risk from an investment perspective, although policy costs will still be deducted. The design is stress tested to survive a Great Depression scenario, so the underperformance would have to be worse than that to trigger a program failure. In the context of the risk on the return of your other retirement plan investments in similar conditions, you can see that the plan is low risk.

Q: What are the risks of this strategy?

A: Two factors affect the performance of the Kai-Zen strategy: underperformance and high interest rates. Both factors have been accounted for by replicating historical scenarios that reflect those types of environments and stress testing Kai-Zen against them. Kai-Zen is stress tested to survive a Great Depression scenario or a 1980's high interest rate type interest rate environment so essentially it would take something worse to completely ruin the plan. While unlikely, if that did occur your liability is strictly limited to the contributions you or your employer made to the plan. You cannot legally be liable outside of those payments made. As a result, the type of lending used has less risk than for example than a mortgage or margin loan where you can be liable outside of the money you put into the plan.

NEW AGENT FAQ

Q: How do I register to become a NIW licensed agent?

If you are interested in becoming an agent, please [click here](#) and follow the steps listed.

Q: I am a registered NIW agent already and am having trouble finding the marketing materials, illustrations, and enrollment forms. Where can I find these materials?

You can find all these materials by logging in with your username and password [here](#) or calling NIW at 972-755-1582.

REFUND POLICY FOR KAI-ZEN

Client contribution portion of the Kai-Zen program includes a trustee/administration fee of \$1,350 per year for 5 years. All Trustee and Administration Fees are non-refundable once the trust has been set up. The fees pay for the initial trust setup, including the master trust, and ongoing trustee and Administration fees of the insurance trust and the loan. Any changes to the trust or for any additional services performed outside the scope of the standard transaction are the sole responsibility of the settlor of the trust and are Non-Refundable once the service(s) have been performed. The fees charged for 5 years cover 15 years of the trust/service/administration costs. If trust remains intact after year 15, any ongoing trustee fees are the sole responsibility of the settlor of the trust.

Client Contribution Includes Partial Funding of Insurance Premium. Although you have made your contribution to the insurance trust, no life insurance will be effective, and no death benefit will be payable to your heirs until the insurance company issues the insurance policy. The insurance policy will not be issued immediately upon you making

your contribution to the insurance trust but will be issued only upon the closing of a loan by the Kai-Zen Trust, which will partially fund premiums for the life insurance policy(ies). Such closing and issuance of the policies may be up to 6 months after you make your contribution(s). Once the policy has been paid and put in force, the carrier normally has a 30-day free look period where a client can cancel their policy. Please see carrier guidelines on the insurance illustration or your policy for additional carrier guidelines on the free look period. This does not include the bank fees and interest.

Bank Fees and Interest. Bank interest and fees charged by the bank once the loan has been set up are Non-Refundable even during the insurance policy free look period. The bank is making a loan and even if the policy is canceled, the loan interest and fees will have to be paid back to the bank out of the cash surrender value of the policy.

When paying monthly premiums, the last month premium will be paid upfront to provide a month leeway if a payment is held up or if there is a dispute over charges. A refund of a portion of this amount is contingent upon the above qualifications.



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