

Why Premium Financing is so popular among High-Net-Worth individuals

Business owners understand the power of leverage and how premium financing can help them lower their out of pocket cost of life insurance.

BOCA RATON , FLORIDA , USA, April 29, 2016 /EINPresswire.com/ -- The low interest rate environment we find ourselves in today is creating a great opportunity for business owners or high net-worth individuals in need of a life insurance policy with a large face amount. Many business owners would like to have a policy with a face amount five times greater than the value of their business or a key man policy on someone very important to the business.



Stuart Chamberlin, President at Chamberlin Financial

One of the concerns many business owners have is tying up cash in high premium payments that could be used to run or expand their business. One way around this is something called [premium financing](#) which allows you to finance the premium over several years and only pay the interest on the loan for a number of years thus significantly reducing the out of pocket cost.

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"When leverage works, it magnifies your gains. Your spouse thinks you're clever, and your neighbors get envious,"

Warren Buffett

Another reason why premium financing has become so popular is because of [Indexed Universal Life](#) insurance. Indexed policies allow policy holders to choose what percentage of their funds they wish to allocate to fixed and indexed portions.

Also, these types of universal insurance policies typically guarantee the principal amount in the indexed portion, but limit or cap the maximum return that a policy holder can receive in the policy. Since these policies are seen as a "hybrid" universal life insurance policy, they are usually not very expensive (due to lack of management), and are safer than an average variable universal life insurance policy.

Most wealthy self-made business owners are comfortable leveraging their assets and have used that to create wealth in the past. Premium financing permits them to leverage their current assets and the policy's cash surrender value to obtain the coverage they need.

By paying interest instead of premium and structuring ownership of the life insurance properly, policy owners can minimize gift and estate taxes. Premium financing can also help a policy holder use more

of their annual gifting exclusions rather than tapping prematurely into lifetime exemptions.

The ideal person for this should have a net worth of \$5,000,000 or more and be insurable at a standard rate or better, and should understand the power of leverage. Premium financing can also be an integral part in [estate planning](#), charitable planning & tax free accumulation. A candidate should also be willing to have “skin in the game” with the payment of the loan interest and acceptable collateral.

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