

Private Placement Life Insurance



Securities offered through First Liberties Financial, Member FINRA/SIPC

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What is Private Placement Life Insurance?

- ❖ Private Placement Life Insurance (“PPLI”) is a variable life insurance policy issued by an insurance carrier to high net worth investors, trusts and family offices. A PPLI policy provides all the tax benefits afforded by law to investments within a life insurance vehicle with the added benefit of giving investors the option to invest policy premiums into wide array of alternative investments, including hedge funds and fund-of-funds. PPLI is a powerful tax-advantaged investment vehicle and since all internal fees are transparent, unlike traditional insurance, these structures are attractive to family offices and high net worth investors.

PPLI Features and Benefits

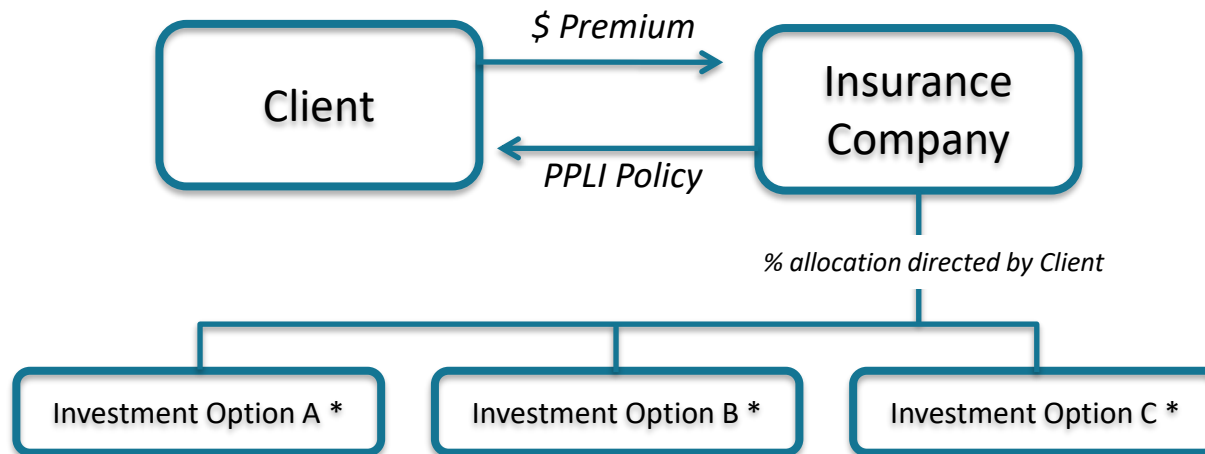
- ❖ Income tax-free accumulation of investment returns (dividends, interest, capital gains)
- ❖ Capital gains tax-free reallocations among investment options
- ❖ Income tax-free withdrawals and loans
- ❖ Income tax-free death benefit
- ❖ Estate tax-free death benefit potential ⁽¹⁾
- ❖ Access to alternative investments within a tax-efficient investment vehicle
- ❖ No tax reporting documents from alternative investments
- ❖ Separate account protection from insurance carrier insolvency risk
- ❖ Potential asset protection on investment for policy owner, depending on jurisdiction ⁽¹⁾

Policy Structure and Considerations

- ❖ The significant income tax benefits of PPLI are slightly offset by the costs within the life insurance structure. Working with a firm like First Liberties can minimize those costs (insurance company fee, broker compensation and cost of insurance), an important to the success of the structure
- ❖ The investment options within a PPLI policy include many hedge fund and other alternative investments as well as traditional mutual funds. Additionally, First Liberties can work with an investment manager to possibly build a new investment option if desired by the client
- ❖ First Liberties can help clients decide if they want a policy from which they can take non-taxable withdrawals of cash, a non-Modified Endowment Contract (MEC), or a policy which is solely for growth of death benefit
- ❖ Insurance companies have capacity limits on the amount of death benefit they will issue on an individual so considering multiple family members to insure may increase the tax benefits of this structure

How It Works

- ❖ Client works with First Liberties to design and then apply for a private placement life insurance policy(ies)
- ❖ Insurance carrier underwrites the insured applicant and, if approved, delivers a life insurance policy to policy owner
- ❖ Client directs asset allocation decision and insurance carrier wires invested policy premiums, on behalf of client's separate account, to the specified insurance dedicated fund(s)



Hypothetical Case Assumptions

- ❖ Age 50 male, preferred health risk, non-smoker
- ❖ Annual capital contribution of \$2.5M for 4 years (\$10M total)
- ❖ 8% and 0% net investment return ⁽¹⁾
- ❖ 45% income tax rate ⁽²⁾
- ❖ Policy designed to maximize the cash value internal rate of return
- ❖ Based on estimates of current charges of the carrier ⁽³⁾

A hypothetical example illustrates the potential benefits of tax-deferred compounding of returns over time.

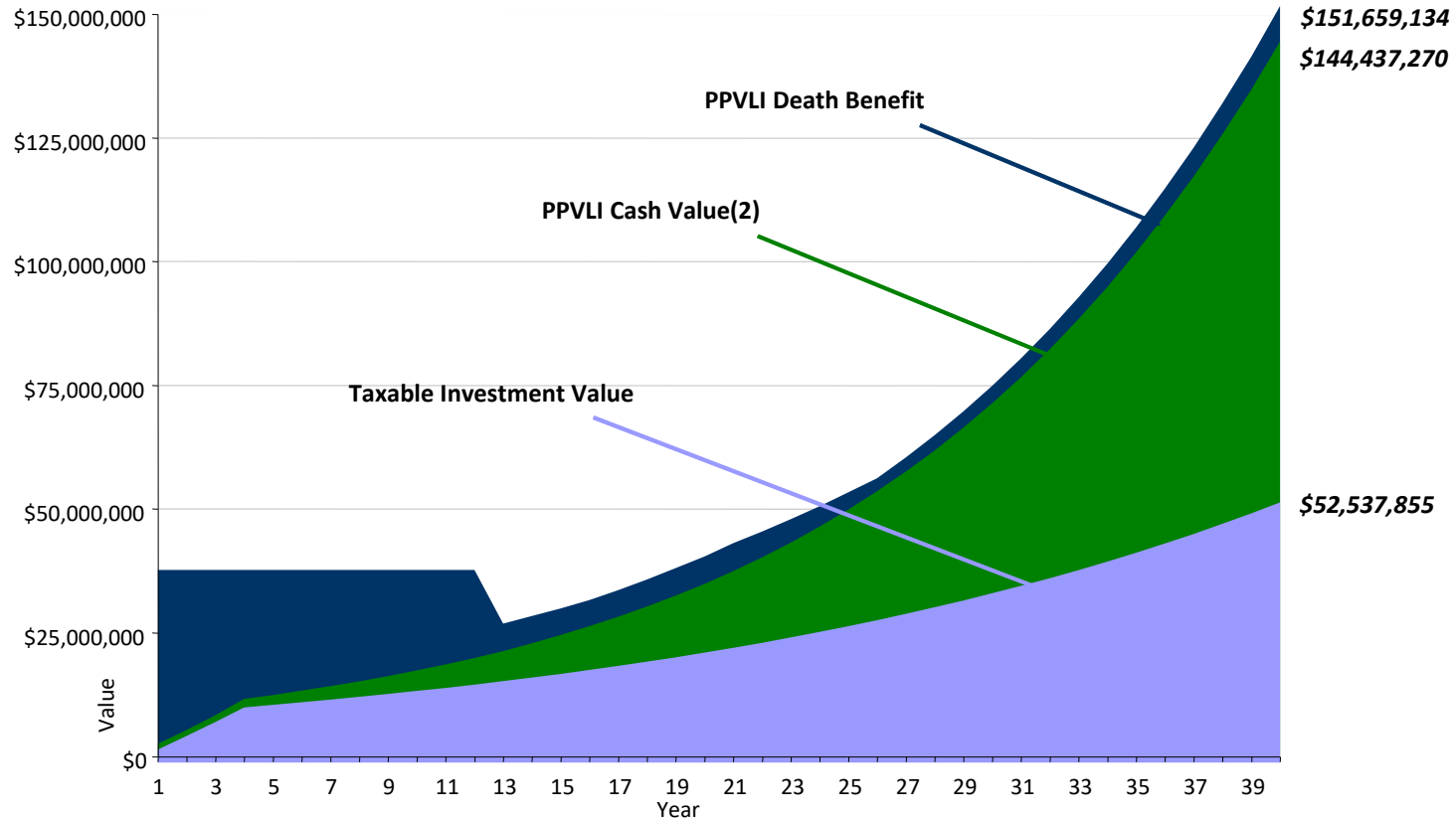
(1) Return net of all investment manager fees. Fees will vary depending on investment option selected by policy owner and will depend on a number of factors including, but not limited to, market conditions, portfolio expenses, and investment management fees. There can be no assurance of any given performance results.

(2) For the following illustrations we have assumed the maximum federal tax rate of 35% and a state rate of 10%. We have assumed that this combined rate will remain constant for the entire period and that the earning on the taxable investment was entirely ordinary income. State tax rates vary and the assumed rate may not be applicable in the owner's state.

(3) The purpose of the following illustration is to demonstrate how the performance of the underlying investments may affect a policy's cash value and death benefit. The illustration has been calculated based upon certain assumptions; it should not be relied upon to anticipate or predict actual investment results.

PPLI or Taxable Investment: 8% Hypothetical Return Comparison

45% Income Tax Bracket, 50 Year Old Male / Preferred Pricing / 4 X \$2.5M Non-Mec / \$10M Total Premium / 8% Net Return⁽¹⁾



(1)The performance information contained herein is hypothetical in nature, and is based upon certain significant assumptions (such as an 8% annual net return). There can be no assurance of any given performance results. The investment managers that will manage the PPVLI assets will employ investment strategies that will be subject to certain risks, including loss of capital, which could have a significant adverse impact on the cash value and death benefit of the PPVLI product. Investment returns are net of all investment management fees. (2)The Private Placement Variable Life Insurance cash value included on this graph is shown on a pre-tax basis since the policy owner can typically access values on a tax-free basis through policy withdrawals and loans. Policy withdrawals and loans will negatively impact cash value and death benefit amounts. Policy loans are typically available up to 90% of cash surrender value; borrowing costs will vary by carrier. The maximum loan value amount will vary by carrier. The above illustration is provided for illustrative purposes only and does not represent the past or future performance of any specific investment.

8% ⁽¹⁾ Product Return Comparison

Hypothetical Taxable Investment Portfolio Value vs PPVLI Value ⁽¹⁾

Year	Premium / Investment	Taxable Investment Value ⁽²⁾	PPVLI Cash Value ⁽³⁾	PPVLI Death Benefit	Annual Charges as % of EOY PPVLI Cash Value	Cumulative Charges' Drag on Net Investment Return	Taxable Investment IRR	PPVLI Cash Value IRR	PPVLI Death Benefit IRR
1	\$ 2,500,000	\$ 2,610,000	\$ 2,608,666	\$ 37,738,817	3.32%	3.65%	4.40%	4.35%	1409.55%
2	\$ 2,500,000	\$ 5,334,840	\$ 5,406,083	\$ 37,738,817	1.95%	2.68%	4.40%	5.32%	241.73%
3	\$ 2,500,000	\$ 8,179,573	\$ 8,415,956	\$ 37,738,817	1.38%	2.13%	4.40%	5.87%	106.28%
4	\$ 2,500,000	\$ 11,149,474	\$ 11,653,934	\$ 37,738,817	1.10%	1.78%	4.40%	6.22%	61.00%
5	\$ -	\$ 11,640,051	\$ 12,471,527	\$ 37,738,817	0.88%	1.56%	4.40%	6.44%	42.92%
10	\$ -	\$ 14,436,349	\$ 17,453,095	\$ 37,738,817	0.98%	1.26%	4.40%	6.74%	16.71%
20	\$ -	\$ 22,205,592	\$ 34,927,097	\$ 40,515,433	0.66%	1.02%	4.40%	6.98%	7.84%
30	\$ -	\$ 34,156,027	\$ 71,400,218	\$ 74,970,229	0.53%	0.87%	4.40%	7.13%	7.31%
40	\$ -	\$ 52,537,855	\$ 144,437,270	\$ 151,659,134	0.73%	0.83%	4.40%	7.17%	7.31%

45% Income Tax Bracket

50 Year Old Male / Preferred Pricing / 4 X \$2.5M Non-Mec / \$10M Total Premium / 8% Net Return

Corridor managed to maximize cash value.

(1) The performance information contained herein is hypothetical in nature, and is based upon certain significant assumptions (such as an 8% annual net return). There can be no assurance of any given performance results. Investment returns are net of all investment management fees. (2) After 45% income tax rate on investment returns. (3) The Private Placement Variable Life Insurance cash value included in this column is shown on a pre-tax basis since the policy owner can typically access values on a tax-free basis through policy withdrawals and loans. Policy withdrawals and loans will negatively impact cash value and death benefit amounts. Policy loans are typically available up to 90% of cash surrender value; borrowing costs will vary by carrier. The maximum loan value amount will vary by carrier. The information above is provided for illustrative purposes only and does not represent the past or future performance of any specific investment.

Important Notes

Prospective investors should carefully consider the following regarding investment options within a Private Placement Variable Life Insurance policy (“PPLI”):

- ❖ **No Tax or Legal Advice.** You should direct questions regarding potential tax or legal consequences of concepts presented in this material your own tax or legal advisor.
- ❖ **Only Qualified Persons May Invest in a PPLI.** An investment in a PPLI is not suitable or desirable for all investors. Only persons who qualify as “accredited investors” and “qualified purchasers”, and who meet certain additional eligibility criteria, may invest in a PPLI.
- ❖ **An Investment in a Fund May Be Illiquid.** An investment in some funds within a PPLI may be illiquid and there may be significant restrictions on transferring interests.
- ❖ **IRS Circular 230 Disclosure.** As required by U.S. Treasury Regulations governing tax practice, you are hereby advised that any written tax advice contained herein or attached was not written or intended to be used (and cannot be used) by any taxpayer for the purpose of avoiding penalties that may be imposed under the U.S. Internal Revenue Code
- ❖ **This Summary is Not Complete.** The above summary is not a complete list of the risks and other important disclosures involved in investing in a PPLI or the investment fund options therein and is subject to the more complete disclosures contained in the annuity offering documentation, which should be carefully reviewed.



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