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ClientAdvisor
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Leveraged, tax-free life income program supercharges growth

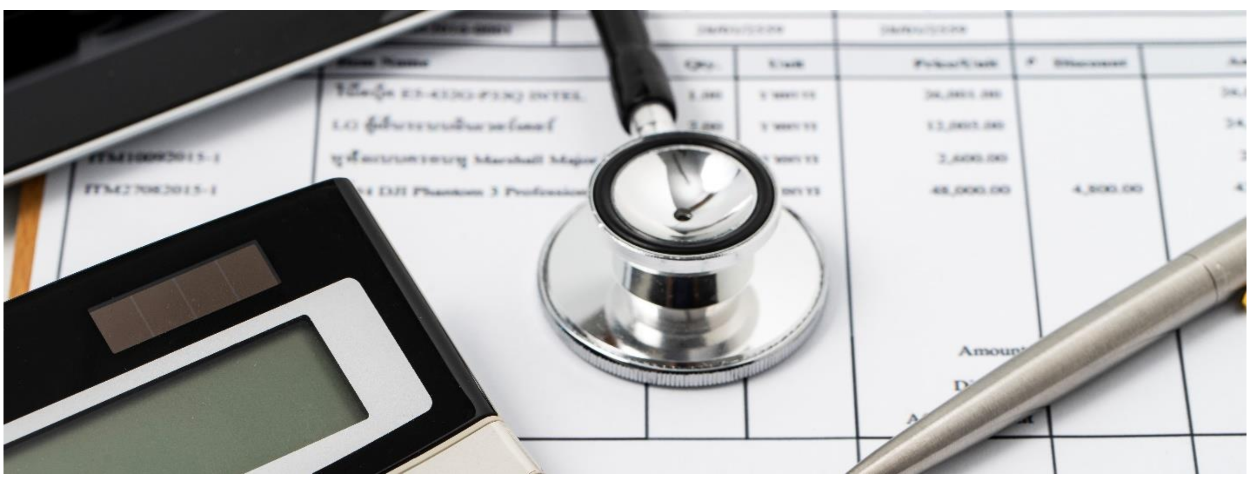
A maximum-efficiency retirement and value system endowment plan allows for 200% to 300% more spendable life income.

Available for healthy doctors and other productive individuals aged 55 or younger who have household W-2s of $100,000 or more, the **Leveraged Tax-free Life Income Plan (LT-FLIP)** generates 200% to 300% more spendable retirement distributions for half the cost in half the time.

The **LT-FLIP** is a special design, nonqualified retirement plan that accelerates the growth on 5 years of plan contributions through leverage that equals 300% of the participants' contributions to the plan.

For the first five years, a participant's annual contributions to the plan are matched by lenders' funds. During the second five years of the plan (years 6 through 10), the plan participant makes NO more contributions. The lender contributes 200% of the participants' annual plan contribution during this time.

At the end of the 10-year period, the lender has contributed $3 to the plan to each $1 from the participant. Contributions continue to grow untaxed.



If a plan participant contributed $100,000, annually for the first 5 years ($500,000), the lender would contribute $1,500,000. In other words, the plan participant contributes 25% and the lender contributes 75% of the plan funding. The total plan contributions of $2,000,000 grow, tax-free, within the plan for the following 5-year period (years 10-15 of the plan).

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At the end of the 15th year, a portion of the accumulated cash within the plan is allocated to repay the lender. The difference between the cost of the loan and the earnings credited on the participants' and the lenders' cash contributions to the plan allows participants to substantially multiply their retirement savings.

The lenders' plan contributions are 100% collateralized by the cash accumulations within the plan. No personal guarantee or collateral assignment is required of the plan participant. Plan participants would not otherwise be able to obtain the $1,500,000 of leverage with no personal guarantee or assignment of collateral.

Summary of Leveraged Tax-free Life Income Program Benefits

- Only 5 annual contributions
- Personal ownership and control
- No employer sponsor / control
- No losses of earnings to other plan participants
- Maximizes money-in/money-out efficiency compared to 401(k) and Defined Benefit Pension Plans
- Guaranteed outcome
- Guaranteed principal
- Untaxed income
- Protection from catastrophic loss protection and critical, chronic, or terminal illness.
- Tax-free growth on contributions
- Leverage that is otherwise inaccessible without personal guarantees or assignment of personal collateral
- Tax-free life income age 65 – 90
- No public plan tax return disclosures (no 5500 / annual filings)
- No compensation-based annual contribution limits
- Tax-free endowment creation for family members and/or for charities equal to the plan's spendable retirement

The amount of the leverage available is limited only by the plan participants' annual plan contributions. Personal bank savings and risk investment portfolios of mutual funds and stocks and bonds can be repositioned within the plan to generate exponentially larger guaranteed life income than would be generated from earnings of bank.

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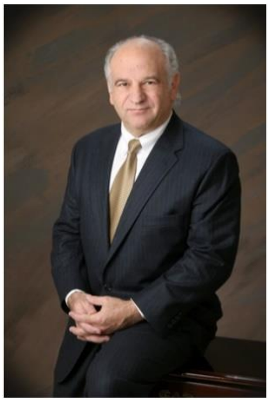

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Comparative Analysis of Retirement Plan Options

The following analysis compares the spendable 25-year retirement distributions from maximum-funded qualified retirement plans (401(k) Plans and Defined Benefit Pension Plans) to the spendable 25-year retirement distributions generated from the non- qualified retirement plan, the Leveraged Tax-free Life Income Program (LT-FLIP), with participants beginning their funding of the plans at ages 25 through age 55. Annual 401(k) Plan contributions are currently limited to the lesser of 25% of salary or $57,000. A maximum, $57,000 annual contribution to a 401(k) Plan requires an annual salary for the plan participant of $228,000 (25% of $228,000 equals $57,000) and annual employer net income of $285,000 ($228,000 plus $57,000 equals $285,000).

Annual Defined Benefit Pension contributions are currently limited to the amount of annual savings required to accumulate $2,800,000 at the participant's age 65, assuming that the participant had average annual earnings for 3 years of $225,000 from the employer sponsoring the plan, and, that the participant is married. If a plan participant is single, the maximum accumulation at the participant's normal retirement age 65, assuming the $225,000 average annual compensation for three years, is $1,400,000.

If a participant was single and had $112,500 average annual compensation for three years the savings accumulation limit, at normal retirement age 65, is $700,000. For the purposes of the comparative analysis, maximum annual contributions were assumed for both the 401(k) Plan and for the Defined Benefit Pension Plan. Annual employer earnings of $285,000 were required to fund the maximum, $57,000 annual contributions for the funding years of the 401(k) Plan through the participant's age 65.

Annual employer earnings of $225,000 were required for the 10-year period to fund the Defined Benefit Pension Plan. Annual personal compensation of $167,000 is required for 5 years, a total of $865,000, to fund the 5 years of $100,000 annual

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contributions to the Leveraged Tax-free Life Income Program, and to fund the participant's 40% tax loss on the personal earnings required to generate the $100,000 annual contributions.

Although employer earnings are usually lost to other-employee costs of 401(k) Plans and Defined Benefit Pension Plans, which reduces spendable distributions at retirement age, an assumption was made for the comparative analysis that there were "0" annual other-employee costs incurred by the employer for the 401(k) Plans and Defined Benefit Pension Plans.

In addition, although qualified retirement plans incur fees and annual tax preparation costs, an assumption was made for the comparative analysis that there were "0" plan set-up fees and "0" plan annual administration costs to file annual tax returns incurred by the employer for the illustrated 401(k) Plans and Defined Benefit Pension Plans. A growth rate on plan savings of 4% was assumed for the 401(k) Plan, the Defined Benefit Pension Plan, and the Leveraged Tax-free Life Income Plan.

A 40% tax loss was assumed on retirement distributions from the 401(k) Plan and from the Defined Benefit Pension Plan. Tax losses on retirement distributions from the Leveraged Tax- free Life Income Plan were assumed to be "0" because the plan has an annual contribution pattern that qualifies the plan as a non-modified endowment contract under IRC 7702(a), which provides for tax-free policy loans.

Background on Retirement Plans

There are two types of retirement plans, qualified retirement plans and non- qualified retirement plans.

Qualified retirement plans are funded with deductible, tax-free, earned income under a section of the Internal Revenue Code, IRC §401. Earnings on qualified retirement plan contributions accumulate with no current losses to income taxes under another section of the Internal Revenue Code, IRC §501. Accumulations of qualified retirement plan contributions and earnings on those contributions are taxable to the plan participant when distributed after a participant's age 59 ½. Qualified retirement plan distributions prior to a participant's age 59 ½ are subject to losses to income taxes plus an additional loss to an excise tax of 10% of distributions.

Non-qualified retirement plans are usually funded with non-deductible, taxable earned income. An exception to this "rule" was created by the 2017 Jobs and Tax Relief Act. Income to owners of pass-through businesses such as "S" tax status corporations and partnerships can fund nonqualified retirement plans with deductible, tax-free earned income under another section of the Internal Revenue Code, IRC §199 (a) that was a provision of the Jobs and Tax Relief Act of 2017. IRC §199(a) identifies tax-free compensation equal to 20% of an owner's W-2 compensation of $315,000, if married filing a joint tax return, and $157,500, if single.

This deduction generates tax-free compensation of up to a maximum of $63,000, if married and filing a joint tax return, and $31,500, if single. The 199(a) tax-free compensation can be allocated to fund a non-qualified retirement plan. The question of whether earnings on non-qualified retirement plan contributions are subject to current or future losses to income taxes is determined by the design of the non- qualified retirement plan and the financial instrument to which the contributions are allocated. For example, a portion of the growth on allocations to non-qualified retirement plan would not be lost to income taxes if the financial instruments receiving the allocations were tax exempt bonds or whole life insurance.

Unlike qualified retirement plans, non- qualified retirement plans funded, in part, or totally, with tax-free compensation that is contributed to whole life insurance contracts can be structured so that the accumulations of non-qualified retirement plan contributions and earnings on these contributions are not taxable to the plan participant when distributed. These tax- free distributions can be used by plan participants to fund costs of preretirement critical, chronic, or terminal illness and lifestyle costs during retirement. An internal Revenue Code Section, IRC Code §7702A defines whole life insurance that receives no more than 70% of the total contributions in the first three years of the contract as "non-modified endowment contracts" that qualify to distribute accumulated funds as accelerated death benefits or as loans to plan participants that are not subject to income tax losses. IRC Code 101(a) enables accumulated loans to be repaid to an insurance company with tax-free mortality gain upon the death of the plan participant-insured.

The **LT-FLIP** is a special design, nonqualified retirement plan that accelerates the growth on 5 years of plan contributions through leverage that equals 300% of the participants' contributions to the plan.

<u>There a 4 Simple Requirements</u>:

- Commit to 5 annual plan contributions ($100,000/year, or minimum annual contribution of $20,000/year, for 5 years).
- Provide proof of good health that is required to qualify for participation and maximize plan efficiency.
- Provide proof of annual household earned income of $100,000, or more.
- Complete required plan documents.

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