Leveraged Planning®:
INCOME PLANNING

THE SITUATION: Dr. Charles Wharton, 43

Dr. Wharton, a solo dental practitioner, needs additional retirement income that he hopes will provide him with at least $200,000 per year for 20 years.

THE SOLUTION: Leveraged Planning®

Dr. Wharton chose a high cash value universal life insurance policy as the best means for securing a steady tax-advantaged retirement income.

Dr. Wharton's practice, an LLC, becomes the borrower of a Leveraged Planning loan to fund the premiums for his life insurance policy. The use of a commercial loan allowed the practice to retain capital and provided an efficient source of premium funding. The owner and beneficiary of the policy was an irrevocable life insurance trust (ILIT) formed for Dr. Wharton.

Over the first five years, the LLC borrowed the required premium payments to fund the life insurance policy. The initial death benefit amount was $4,800,000 and the total loan amount was $1,000,000. Once the policy was fully funded, the LLC made simple interest payments monthly in the amount of $2,608[1]. The LLC elected to continue to make simple interest payments for the remainder of the loan term - or longer, depending upon Dr. Wharton's planning needs. As an added benefit of the program, should Dr. Wharton pass away during the loan term, the death benefit could be used to repay the $1 million loan, and Dr. Wharton's estate and heirs would receive the remaining proceeds (always at least $500,000)[2].

The Leveraged Planning solution created by GFD for Dr. Wharton was designed to not only provide retirement income, but also to provide for payoff from the policy's cash value, one of several exit strategies available.

Leveraged Planning® enabled this Dentist, Dr. Charles Wharton to fully fund his retirement income plan using a high cash value life insurance policy coupled with a commercial loan that would be paid off out of the policy's cash value.

1 All clients must confer with their financial and tax advisors on deductibility or tax treatment matters. GFD does not provide tax advice. In this case, the LLC elected to deduct the payments. The monthly gross payments were $4,013.

2 The client chose to forego a guaranteed death benefit in this policy.

- The client's loan utilized a floating interest rate based on the 1 year LIBOR rate plus spread.
- Policy growth assumed as illustrated
- Results will vary depending on interest rates and policy crediting rates. Dr. Wharton is a hypothetical client, plan specifics are based on actual loan and insurance policy illustrations.

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