Case Studies

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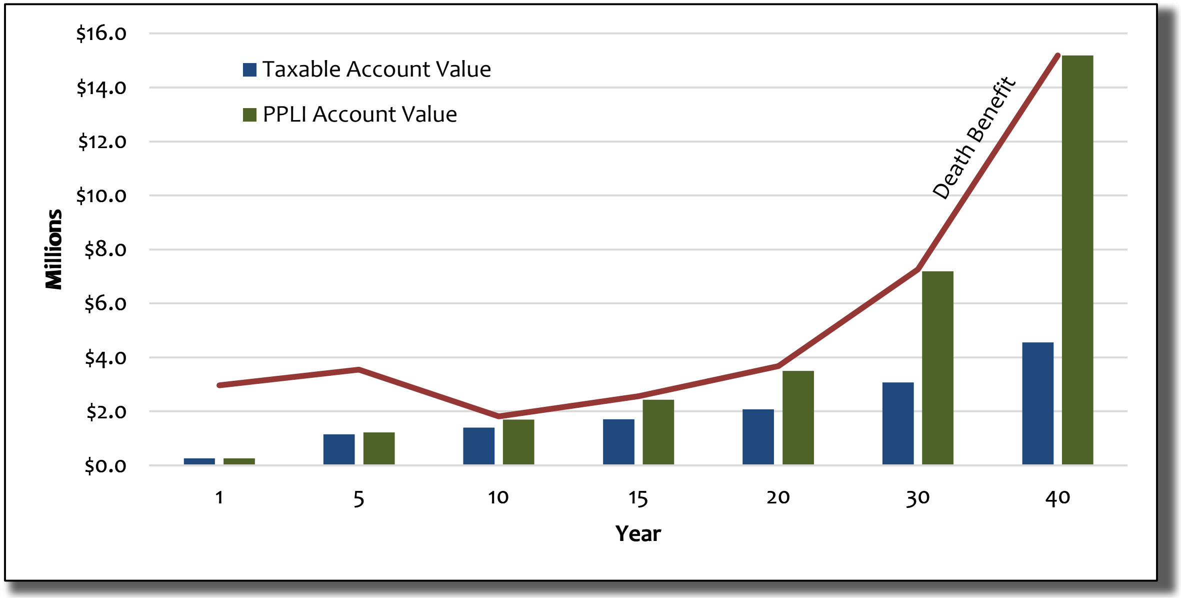
To Improve Tax Inefficiencies in Investment Portfolio

- **Client Background**
  - John is a 65-year-old retired client and resident in California
  - Maintains a traditionally-managed portfolio with a large private bank
  - Avoids allocation to alternatives due to tax drag and numerous K-1s
- **Goals**
  - Looking for greater return through the broadening of asset classes
  - Minimize burden of potential accounting and tax reporting associated with alternative investments
  - Minimize taxes on investment earnings
  - Desires the option to access his money (wants liquidity)
- **Solution**
  - John invests in four different insurance dedicated credit funds through the purchase of a Private Placement Life Insurance (PPLI) policy
  - Structured so John has tax-free access to the account value during his lifetime
  - The premium allocation for the policy is $250,000 per year for 4 years producing the minimum required death benefit of $2.7 million
  - Growth of investment assets without incurring income taxes

**Assumed tax rate assessed against taxable return of 54.10% comprised of 2019 Federal Income tax rate of 37% plus Medicare tax rate of 3.80% plus 2019 CA State income tax rate of 13.30%.*
***Illustrative only and should not be deemed as a representation of past or probable future investment results.*

To Improve Tax Inefficiencies in Investment Portfolio (continued)



Distribution Charge:	1.00%	Investment Return**:	8.00%
Expense Trail:		Portfolio Turnover:	75% tax as ordinary income
<=$10M	0.25%	Income Tax:	54.10%*
Next $40M	0.15%	Insured:	Male, 65, Preferred
>$50M	0.10%	State of Issue:	South Dakota

- **Client Benefits and Considerations**
  - Ability to invest in traditional and alternative asset classes
  - Reduce state premium tax via South Dakota situs of trust owner
  - Elimination of K-1 reporting
  - Tax-free access to policy assets via withdrawals (up to amount of premium paid) and loans
  - Policy charges still incurred even if there are investment losses
  - Client must submit to full underwriting process

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To Supplement Retirement Income in a Tax-Efficient Manner

- **Client Background**
  - Anna, 47-year-old female, resident of Colorado
  - Her earned income, as well as the elimination of deductions due to the 2017 tax reform, has placed her in the highest federal (37%) and state (4.63%) income tax brackets
  - Income taxes are a significant drag on her investment portfolio return

- **Goals and Issues**
  - Maximize the accumulation of assets during her working life
  - A structure that will allow her to invest on a tax-efficient basis to take tax-free distributions once she reaches her desired retirement age of 65
  - At age 65, client wishes to maximize after-tax income at retirement

- **Solution**
  - Anna purchases a Private Placement Life Insurance (PPLI) policy
  - She pays premium of $1 million a year for 5 years providing her with an initial death benefit of $19.7 million
  - Once Anna has reached age 65, the policy will begin tax-free distributions in the amount of 5% of the account value per year for life

**Assumed tax rate assessed against taxable return of 45.43% comprised of 2019 Federal Income tax rate of 37% plus Net Investment Income tax of 3.8% plus CO State income tax rate of 4.63%.*
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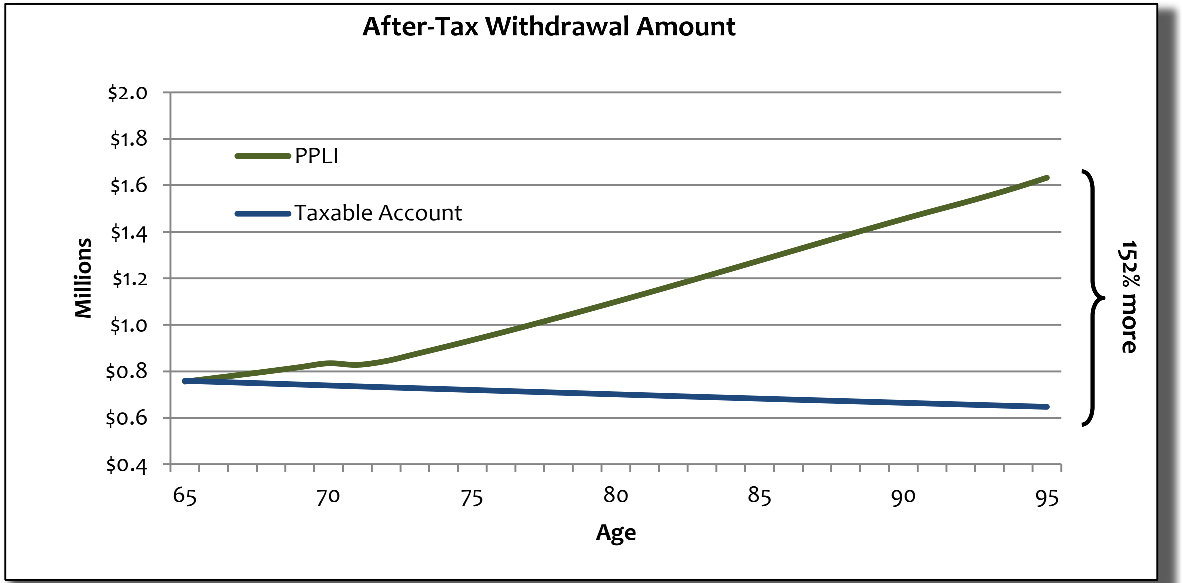
To Supplement Retirement Income in a Tax-Efficient Manner (continued)



Distribution Charge:	1.00%	Investment Return**:	8.00%
Expense Trail:		Portfolio Turnover:	75% tax as ordinary income
<=$10M	0.25%	Income Tax:	45.43%*
Next $40M	0.15%	Insured:	Female, 47, Preferred
>$50M	0.10%	State of Issue:	South Dakota

- **Client Benefits and Considerations**
  - Tax-free access to policy assets via withdrawals (up to amount of premium paid) and loans
  - No surrender charges should the client wish to opt out of the structure
  - Elimination of certain reporting requirements as the insurance company separate account is the subscriber of fund interest
  - Policy charges still incurred even if there are investment losses
  - Client must submit to full underwriting process

**Assumed tax rate assessed against taxable return of 45.43% comprised of 2019 Federal Income tax rate of 37% plus Net Investment Income tax of 3.8% plus CO State income tax rate of 4.63%.*
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To Access Institutional Quality Investment Managers and Lower Costs

- **Opportunity/Client Background**
  - Ernest, a 50-year-old, is a resident of Connecticut
  - Has accumulated six annuities totaling $1.45 million that return, on average, 3% per annum.
  - Ernest's investment options through these retail annuities are limited to a guaranteed fixed rate at a low level, or to retail funds and strategies
  - He is incurring substantial annual fees

- **Goals and Issues**
  - Increase his return potential by accessing high-quality alternative investment managers and funds like the ones in which he already invests [through his wealth advisor]
  - Lower his annual costs substantially without incurring new up-front fees or potential surrender charges
  - Simplify his reporting by consolidating six separate annuities into a single annuity policy

- **Solution**
  - Through the use of IRC §1035**, Ernest can exchange the six separate annuities on a tax-free basis for a single PPVA policy with more features, lower costs, and/or more suitable coverage

*** For 1035 exchanges, a comparison of the existing and proposed policies and a review of required disclosures is needed to ensure appropriateness of the exchange. Consult your tax advisor.*

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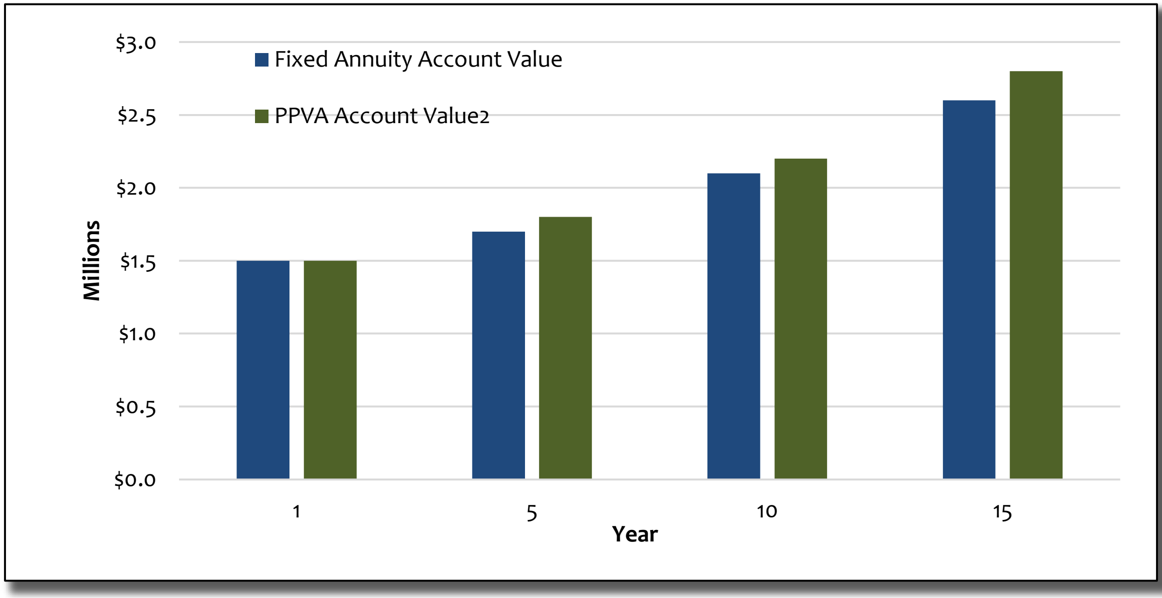
To Access Institutional Quality Investment Managers and Lower Costs (continued)



Distribution Charge:	0.00%	PPVA Return**:	8.00%
Expense Trail:		Fixed Annuity Return:	3.00%
<=$10M	0.25%	Tax:	75% tax as ordinary income
Next $40M	0.15%		
>$50M	0.10%		

- **Client Benefits and Considerations**
  - Efficient and transparent institutional pricing including no surrender charges imposed by issuer
  - Consolidation of annuity correspondence & reporting
  - Ability to access a variety of traditional and alternative investment options
  - PPVA exposes the purchaser to investment risk
  - Distributions are subject to a 10% penalty if annuitant is under 59½ years old
  - Distributions on any gains above policy basis are taxed at ordinary income tax rates to the recipient

*** For 1035 exchanges, a comparison of the existing and proposed policies and a review of required disclosures is needed to ensure appropriateness of the exchange. Consult your tax advisor.*
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Tax-Deferred Compounding Over Multiple Generations

- **Opportunity/Client Background**
  - Paul, 70-year-old resident of New York, married with children and grandchildren. The youngest grandchild is one year old.
  - He has an existing estate plan and has gifted $5 million into an irrevocable complex trust (called Family Trust), for the benefit of his grandchildren
  - The trust is paying taxes on all income earned by investments at the highest federal tax bracket (37%) and this results in a decrease in the assets going to the beneficiaries

- **Goals and Issues**
  - Minimize current taxes assets invested and held by the Family Trust; increase money going to grandchildren
  - Manage the money in the trust within a tax- advantaged structure on a long-term basis
  - Provide a structure to allow assets to grow on a tax-deferred basis and the option to pass along to beneficiaries

- **Solution**
  - Family Trust is the applicant and owner of a PPVA contract. The contract is funded with a $5 million single premium.
  - The youngest grandchild is named the annuitant of contract
  - The balance of the portfolio is able to generate income for trust beneficiaries without depletion of assets due to the tax expense

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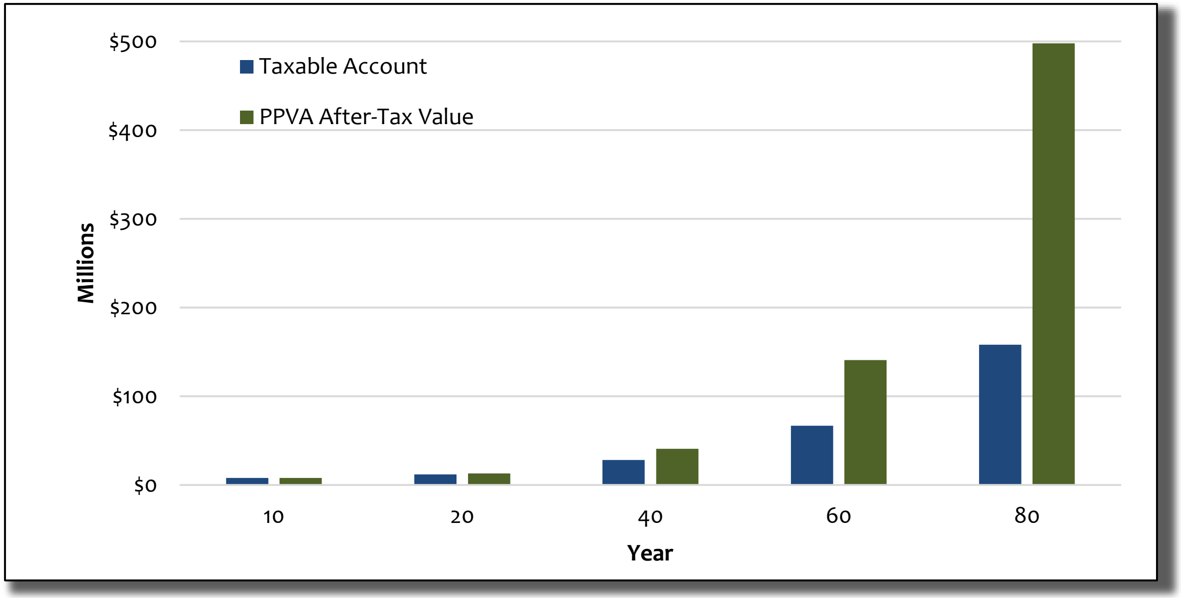
Tax-Deferred Compounding Over Multiple Generations (continued)

- **Over an 80-year period, the chart below illustrates the powerful effect of tax-deferred compounding versus a taxable account.**



Distribution Charge:	0.00%	PPVA Return**:	8.00%
Expense Trail:		Tax:	75% tax as ordinary income
<=$10M	0.25%		
Next $40M	0.15%		
>$50M	0.10%		

- **Client Benefits and Considerations**
  - Income tax deferral of underlying investment gains
  - Transparent institutional pricing including no surrender charges
  - Option to change beneficiary or have multiple beneficiaries throughout life of the PPVA
  - PPVA exposes the purchaser to investment risk
  - Distributions are subject to a 10% penalty if annuitant is under 59 ½ years old
  - Distributions on any gains above policy basis are taxed at ordinary income tax rates to the recipient

***Illustrative only and should not be deemed as a representation of past or probable future investment results*

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PPVA: If buying a variable annuity to fund a retirement plan that already provides tax deferral (such as a 401(k) plan or IRA), you should do so for reasons other than tax deferral, as you will receive no additional tax advantage from the variable annuity. Withdrawals of taxable amounts are subject to ordinary income tax and, if made prior to age 59 ½ , may be subject to an additional 10% Federal income tax penalty.

When referenced, the IRR on the PPVUL Surrender Value is equivalent to an interest rate (after taxes) at which an amount equal to the illustrated premiums could have been invested outside PPVUL to arrive at the same Surrender Value as PPVUL. Loans and partial withdrawals will decrease the death benefit and cash value and may be subject to policy limitations and income tax.

A modified endowment contract ("MEC") is created when the amount by which the contract death benefit exceeds the policy cash value or "amount at risk" is less than the minimum allowed by the IRS. A MEC does not receive the same beneficial tax treatment on policy loans and withdrawals as a non-MEC life insurance contract. Also, if a life insurance contract becomes a MEC while inforce, the policy holder may be subject to additional taxes and penalties.

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Your benefits (including life insurance) are not guaranteed, but may be entirely dependent on the investment performance of the subaccounts you select. Poor investment performance could cause your policy to lapse and you could lose your insurance.

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