

Life Insurance Planning

John Lawson
WAXMANCAVNERLAWSON
3508 Far West Blvd, Ste 250
Austin, TX 78731
Direct: 512-477-9064
jlawson@waxmancavner.com

Securities and Advisory Services Offered Through M Holdings Securities, Inc.
A Registered Broker/Dealer and Investment Advisor, Member FINRA/SIPC
WacmanCavnerLawson is independently owned and operated.

Disclosures

Private Placement Life Insurance and Annuities are an unregistered securities product and is not subject to the same regulatory requirements as registered variable products. As such, Private Placement Life Insurance (or Annuities) should only be presented to accredited investors or qualified purchasers as described by the Securities Act of 1933.

Variable life insurance and annuity products are long-term investments and may not be suitable for all investors. An investment in variable life insurance and annuity products is subject to fluctuating values of the underlying investment options and it entails risk, including the possible loss of principal.

The policy values are hypothetical for illustration purposes only and may not be used to project or predict investment results. Policy values will vary based on the actual performance of sub-account investments selected, actual insurance charges over the life of the plan and the timing of premium payments.

Hypothetical illustrations are used and are not indicative of the performance of any particular investment. The performance of investments will vary and more or less than the amount invested may be received. Loans and partial withdrawals will decrease the death benefit and cash value and may be subject to policy limitations and income tax.

The internal rate of return (IRR) on the death benefit/cash surrender value is equivalent to an interest rate (after taxes) at which an amount equal to the illustrated premiums could have been invested outside the policy to arrive at the death benefit/cash surrender value of the policy.

This material is intended for informational purposes only and should not be construed as legal or tax advice and is not intended to replace the advice of a qualified attorney, tax advisor or plan provider.

Investors should consider the investment objectives, risks, charges and expenses of any variable product carefully before investing. This and other important information about the investment is contained in the product offering statement, which can be obtained by calling (512)476-6392. Please read it carefully before investing.

Disclosures, *continued*

Presentation is for Advisor Use Only – Not for use with the Public

TAX, LEGAL, AND ACTUARIAL

The tax and legal references attached herein, or to be produced for you, are designed to provide accurate and authoritative information with regard to the subject matter covered and will be provided with the understanding that we are not engaged in rendering tax, legal, or actuarial services. If tax, legal, or actuarial advice is required, you should consult your accountant, attorney, or actuary. We do not replace those advisors.

THIS PROPRIETARY AND CONFIDENTIAL MATERIAL IS NOT AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO PURCHASE AN INTEREST IN ANY PRODUCT or FUND. ANY SUCH OFFER OR SOLICITATION CAN BE MADE ONLY BY MEANS OF A CONFIDENTIAL PRIVATE OFFERING MEMORANDUM WHICH DESCRIBES THE DETAILS OF THE INTERESTS AND SIGNIFICANT RISK INVOLVED.

COPYRIGHT

Copyright © 2012. All Rights Reserved. No part of this presentation may be reproduced in any form or by any means without written permission from WaxmanCavnerLawson.

Agenda

Private Placement Life Insurance (PPLI) and Annuities (PPVA)

What is Private Placement Life Insurance (PPLI)?

Who is Buying Private Placement?

Why are They Buying Private Placement?

How do Investments Work Inside Private Placement?

What are the Costs Associated with Private Placement?

What is Private Placement Variable Annuity (PPVA)?

Life Insurance *Tax Benefits*

Feature

Death Benefit

Cash Value Growth

Policy Withdrawals

Policy Loans

Tax Treatment

Income tax-free

Income tax-deferred

Income tax-free (to basis)

Income tax-free (over basis)

IRC Sec 101 (a)(1)

IRC Sec 7702(g)(1)(A)

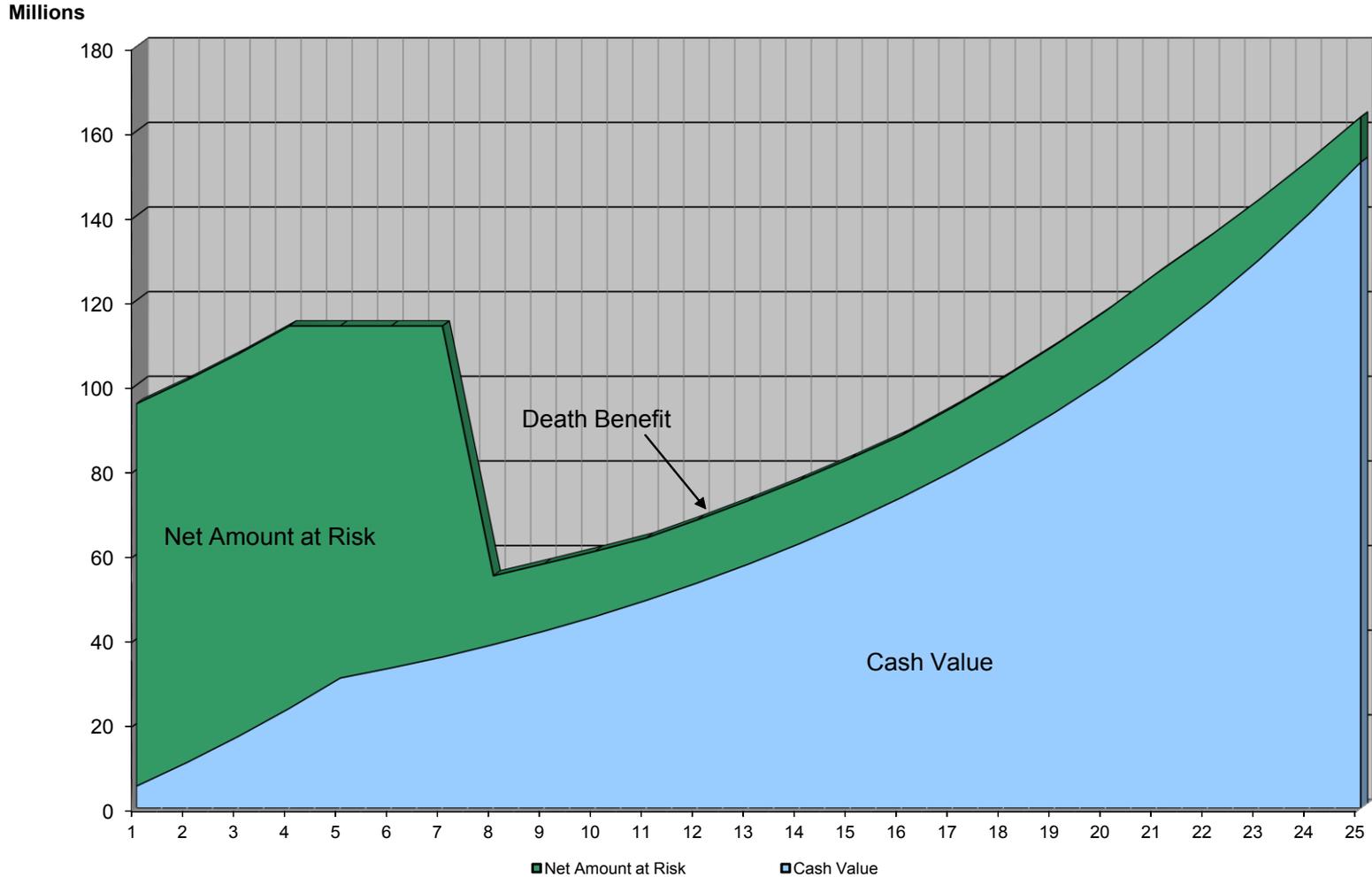
IRC Sec 72(e)(3)

IRC Sec 72(e)(5)

Private Placement Design Theme

Life Insurance Planning

Male Client, Age 50
Cash Value & Net Amount at Risk



**Private Placement
*Products***

Private Placement Life Insurance (PPLI)

Variable Universal Life Chassis

Private Placement Security Offering

Low Cost – Institutional Pricing

Flexible Investment Platform

High Minimum Premium Commitment

Onshore or Offshore

Private Placement Variable Annuity (PPVA)

Bare Bones – No Bells or Whistles

Low Cost

Annuity Tax Treatment

Privately Placement

**Private Placement
*Comparison to Traditional***

	Traditional VUL	Private Placement VUL
Investment Allocation Control	Owners can direct insurance carrier to allocate cash value into a broad array of approved investment options with periodic reallocation allowed.	Same <i>(Owners can direct insurance carrier to allocate cash value among a broad array of approved investment options with periodic reallocation allowed.)</i>
Loads / Fees	Typically Higher	Typically Lower
Investment Size	Typically less than \$1,000,000	Typically greater than \$1,000,000
Eligibility	Generally anyone who completes the application process and qualifies medically	In addition, policy owners must be either "Accredited Investors" or "Qualified Purchasers"
Product Chassis	Registered Security Offered by Prospectus	Unregistered Security Offered by Private Placement Offering Memorandum
Investment Options	Only registered funds – typically long-only strategies	Can include both registered and non-registered funds, including hedge funds, structured products and private equity strategies

**Private Placement
*Overview***

Overview

Marketplace and History

Onshore versus Offshore

Private Placement

Who is Buying Products?

High Net Worth Investors

Net Worth >\$25,000,000

Minimum Premiums of \$5,000,000

Alternative Product and Fixed Income Investors

NOT the Typical Insurance Buyer

Also....

Large GST Exempt Trusts

Foreign Grantor Trusts

COLI and BOLI

Private Placement

Why are the High Net Worth Buying PPLI?

Favored by High Net Worth Buyers Due to:

Cost Efficiency

Tax Compliance

Segregated Account

Asset Protection

Minimal Change in Investment Structure

Hedge Funds

Fixed Income Strategies

Commodity Funds

Structured Products with Targeted Results

Exclusive Investment Managers

Private Placement

What is Driving the High Net Worth Buyer?

Primary Drivers for Purchasers

Policy Economics

Insurance Cost Must be Less than the Income Tax Cost

Flexible Investment Choices

Offers Any and All Types of Investment Strategies

Secondary Drivers for Purchasers

Asset Protection Planning

Statutory Exemption (Texas, Florida, etc.)

Estate Tax Planning

Less than 5% of our PPLI Business

Hypothetical Taxed Investment vs. Private Placement Life Insurance

Male 50 Preferred Non-Smoker

		Hypothetical 9% Taxed Investment							Private Placement Policy 9% Net			
		Long-term Capital Gains	Ordinary Income	Capital Gains Taxes	Ordinary Income Taxes	Value Net of Current Taxes	IRR	Cash Value Amount	IRR	Death Benefit Amount	IRR	
1	51	\$5,000,000	0	\$450,000	0	(\$195,300)	\$5,254,700	5.09%	\$5,189,082	3.78%	\$95,549,082	1810.98%
2	52	5,000,000	0	922,923	0	(400,549)	10,777,074	5.09%	10,838,765	5.49%	101,198,765	302.66%
3	53	5,000,000	0	1,419,937	0	(616,253)	16,580,759	5.09%	16,960,528	6.27%	107,320,528	137.73%
4	54	5,000,000	0	1,942,268	0	(842,944)	22,680,082	5.09%	23,591,541	6.72%	113,951,541	83.68%
5	55	5,000,000	0	2,491,207	0	(1,081,184)	29,090,106	5.09%	30,760,073	6.99%	113,951,541	55.71%
6	56	0	0	2,618,110	0	(1,136,260)	30,571,956	5.09%	33,150,495	7.18%	113,951,541	41.83%
7	57	0	0	2,751,476	0	(1,194,141)	32,129,291	5.09%	35,714,102	7.29%	113,951,541	33.27%
8	58	0	0	2,891,636	0	(1,254,970)	33,765,957	5.09%	38,666,597	7.45%	54,906,568	13.70%
9	59	0	0	3,038,936	0	(1,318,898)	35,485,995	5.09%	41,859,705	7.56%	57,766,393	12.49%
10	60	0	0	3,193,740	0	(1,386,083)	37,293,652	5.09%	45,312,579	7.64%	60,718,856	11.56%
11	61	0	0	3,356,429	0	(1,456,690)	39,193,390	5.09%	49,116,882	7.73%	63,851,946	10.85%
12	62	0	0	3,527,405	0	(1,530,894)	41,189,902	5.09%	53,230,229	7.79%	68,134,694	10.44%
13	63	0	0	3,707,091	0	(1,608,878)	43,288,115	5.09%	57,678,359	7.84%	72,674,732	10.09%
14	64	0	0	3,895,930	0	(1,690,834)	45,493,212	5.09%	62,504,135	7.88%	77,505,128	9.81%
15	65	0	0	4,094,389	0	(1,776,965)	47,810,636	5.09%	67,739,187	7.92%	82,641,808	9.56%
20	70	0	0	5,249,026	0	(2,278,077)	61,293,459	5.09%	101,285,477	8.05%	117,491,153	8.93%
25	75	0	0	6,729,276	0	(2,920,506)	78,578,502	5.09%	152,644,079	8.16%	163,329,165	8.47%
30	80	0	0	8,626,963	0	(3,744,102)	100,738,007	5.09%	230,477,124	8.23%	242,000,980	8.42%
35	85	0	0	11,059,807	0	(4,799,956)	129,146,596	5.09%	346,754,889	8.27%	364,092,633	8.43%
40	90	0	0	14,178,724	0	(6,153,566)	165,566,541	5.09%	518,980,651	8.29%	544,929,683	8.43%
45	95	0	0	18,177,191	0	(7,888,901)	212,257,080	5.09%	778,661,814	8.31%	786,448,432	8.33%
		25,000,000	0	413,294,936	0	(179,370,002)						

Taxable Portfolio Assumptions:

1] Earnings Rates:

Taxed Currently	9.00%
Appreciation	0.00%

2] Tax Rates:

Ordinary Income	43.40%
Capital Gains	20.00%

3] Turnover Rate 0%

Notes:

1. Policy values reflect ownership in the state of Alaska.

The taxable investment scenario in the following pages excludes the cost of term insurance. An additional cost of approximately \$74,000 annually for ten years is required to cover the cost of a term premium for the death benefit for ten years. The earnings rates of the taxable investment scenario are not reduced by management and custody fees, which would reduce the effective earnings rate.

**Private Placement
*Investment Structures***

Insurance Dedicated Funds (IDF)

Structure Affirmed by the IRS

More than 100 Non-Registered Funds Available

Can be Created by Almost any Asset Manager

Separate Managed Accounts (SMA)

Not Affirmed by the IRS

Not Typically Audited

One Account for Each Policy

**Private Placement
*Investment Structures***

Investor Control Doctrine

The policy owner (or owner's Representative) should not have control over specific investment selections

Diversification; IRC§817(h)

Each asset account in a variable life policy must contain at least 5 investments with no one investment representing more than 55% of the account's value

*****Failure to Comply has Negative Tax Consequences*

Private Placement
Summary of Costs

Legal Fees

Client Driven

Product Fees

Carrier Driven

Distribution Fees

Broker Driven

Investment Management Fees

Asset Manager Driven

All Insurance Product costs are fully transparent

**Private Placement
*Variable Annuities***

Who Buys Variable Annuities (PPVA)?

Super Affluent Individuals

Investors with Tax Inefficient Portfolios

Investors in States with Statutory Cash Value Protection

Investors Approaching (or beyond) Age 60

Investors with Assets Intended for Charity

Private Placement Variable Annuities -- Economics

Variable Annuity Planning

Male Age 60 - \$25,000,000 Initial Investment											
Assumptions	Hypothetical Taxable Investment				Hypothetical Tax Deferred Investment *					Comparison of Annual Values	
	Net Return:	9.00%			Net Return:	9.00%					
	Tax Rate:	35.00%			Tax Rate:	35.00%					
Age	Beg of Year [2]	Earnings [3]	Taxes [4]	End of Year [5]	Beg. of Year [7]	Earnings [8]	Fees [9]	End of Year [10]	Net After Tax [11]	Net After Tax [11] - [5]	Cash on Cash [10] - [5]
61	25,000,000	2,250,000	(787,500)	26,462,500	24,975,000	2,247,750	(124,875)	27,097,875	26,363,619	(98,881)	635,375
62	26,462,500	2,381,625	(833,569)	28,010,556	27,097,875	2,438,809	(121,940)	29,414,743	27,869,583	(140,973)	1,404,187
63	28,010,556	2,520,950	(882,333)	29,649,174	29,414,743	2,647,327	(132,366)	31,929,704	29,504,308	(144,866)	2,280,530
64	29,649,174	2,668,426	(933,949)	31,383,650	31,929,704	2,873,673	(143,684)	34,659,694	31,278,801	(104,850)	3,276,043
65	31,383,650	2,824,529	(988,585)	33,219,594	34,659,694	3,119,372	(155,969)	37,623,097	33,205,013	(14,581)	4,403,503
66	33,219,594	2,989,763	(1,046,417)	35,162,940	37,623,097	3,386,079	(169,304)	40,839,872	35,295,917	132,977	5,676,932
67	35,162,940	3,164,665	(1,107,633)	37,219,972	40,839,872	3,675,588	(183,779)	44,331,681	37,565,593	345,621	7,111,709
68	37,219,972	3,349,798	(1,172,429)	39,397,341	44,331,681	3,989,851	(199,493)	48,122,040	40,029,326	631,985	8,724,699
69	39,397,341	3,545,761	(1,241,016)	41,702,085	48,122,040	4,330,984	(216,549)	52,236,474	42,703,708	1,001,623	10,534,389
70	41,702,085	3,753,188	(1,313,616)	44,141,657	52,236,474	4,701,283	(235,064)	56,702,693	45,606,750	1,465,093	12,561,036
71	44,141,657	3,972,749	(1,390,462)	46,723,944	56,702,693	5,103,242	(170,108)	61,635,827	48,813,288	2,089,344	14,911,883
72	46,723,944	4,205,155	(1,471,804)	49,457,295	61,635,827	5,547,224	(184,907)	66,998,144	52,298,794	2,841,499	17,540,850
73	49,457,295	4,451,157	(1,557,905)	52,350,546	66,998,144	6,029,833	(200,994)	72,826,983	56,087,539	3,736,992	20,476,436
74	52,350,546	4,711,549	(1,649,042)	55,413,053	72,826,983	6,554,428	(218,481)	79,162,930	60,205,905	4,792,851	23,749,877
75	55,413,053	4,987,175	(1,745,511)	58,654,717	79,162,930	7,124,664	(237,489)	86,050,105	64,682,568	6,027,851	27,395,388
76	58,654,717	5,278,925	(1,847,624)	62,086,018	86,050,105	7,744,509	(258,150)	93,536,464	69,548,702	7,462,684	31,450,446
77	62,086,018	5,587,742	(1,955,710)	65,718,050	93,536,464	8,418,282	(280,609)	101,674,137	74,838,189	9,120,139	35,956,087
78	65,718,050	5,914,625	(2,070,119)	69,562,556	101,674,137	9,150,672	(305,022)	110,519,787	80,587,861	11,025,305	40,957,231
79	69,562,556	6,260,630	(2,191,221)	73,631,965	110,519,787	9,946,781	(331,559)	120,135,008	86,837,755	13,205,790	46,503,043
80	73,631,965	6,626,877	(2,319,407)	77,939,435	120,135,008	10,812,151	(360,405)	130,586,754	93,631,390	15,691,954	52,647,318
85	97,840,960	8,805,686	(3,081,990)	103,564,656	182,312,859	16,408,157	(546,939)	198,174,078	137,563,151	33,998,495	94,609,422
90	130,009,479	11,700,853	(4,095,299)	137,615,033	276,671,881	24,900,469	(830,016)	300,742,335	204,232,518	66,617,484	163,127,301
95	172,754,484	15,547,904	(5,441,766)	182,860,621	419,867,968	37,788,117	(1,259,604)	456,396,481	305,407,713	122,547,091	273,535,860
100	229,553,353	20,659,802	(7,230,931)	242,982,224	637,177,547	57,345,979	(1,911,533)	692,611,994	458,947,796	215,965,572	449,629,770

* Note: With some tax-deferred alternatives, a 10% tax penalty is imposed on withdrawals by owners under age 59 1/2.

Discussion

**John Lawson
WAXMANCAVNERLAWSON
3508 Far West Blvd, Ste 250
Austin, TX 78731
Direct: 512-477-9064
jlawson@waxmancavner.com**