

ARE WE there yet?



with David Baumann

FOR ANYONE on a family vacation, at some point there inevitably is one question voiced by an individual in the back seat, **“Are we there yet?”** You can almost hear the lack of enthusiasm patience in their voice, the closer you get to the destination. My Dad made us look at the road map so we would have a better understanding of where we were going and what path we were taking to get there. That way, when we asked, “Are we there yet?” Dad would tell us to “Check the map!” These days, technology allows you to plug in your destination, receive multiple choices of routes to help you reach your destination and avoid the attempts to fold that crazy map.

For business owners, farmers and entrepreneurs, a similar question may come to mind, “When can I retire?” a.k.a. **“Are we there yet?”** Like a road trip, you can choose from several routes on the map. Many questions need to be addressed - What are we doing with our business?, Who are the potential buyers?, What is a good price evaluation?, Am I liquid enough?, Do I have the right planning in place?, What are my capital gains or estate taxes going to look like? And these are just a few of the items you need to review.

One option to address a number of these concerns is a more advanced planning vehicle called Premium Financed Life Insurance. In order for businesses and high-net-worth individuals to continue to grow and protect their wealth, they may need to take advantage of leverage and actively look for investment opportunities that can potentially yield returns greater than the cost of capital. Life insurance can address inheritance, business and estate tax issues and provide tax deferred growth while being a very tax efficient income supplement in retirement.

Premium Financed life insurance is not free insurance and is not without some risk. The insurance premium is typically paid by a bank. The owner of the policy pays interest back to the bank annually, and a smaller portion of net assets are collateralized to the bank until loan repayment. It is an efficient tool to reduce the out of pocket expenses related to purchasing higher, more significant life insurance planning. For the owner of the policy, it offers the potential to keep more of their money working for them in either their business or other investments of their choice.

Family businesses account for 50% of the gross domestic product and are responsible for 60% of the nation’s employment. Despite those great numbers, family owned businesses face difficult challenges and hurdles. One of the most difficult on the list is generational transition. Premium financing can incorporate a well-rounded strategy without having to liquidate a portion of the business to help support the next generation. It incorporates a multi-purpose design by offering death benefit protection, wealth accumulation and tax efficiencies.

What is the best route for you to take? Does this planning make sense for you? We don’t know, but we would be happy to look at your road map, your financial strategy, and identify if Premium financing is a viable solution. Are we there yet? “Not yet, but we are getting closer.”

For more information, please contact your trusted advisor at Swartzbaugh-Farber – ‘Client Centered – Client Advocates™’.