

# Private Placement Life Insurance (PPLI)

Sky Gem Solutions



## Private Placement Life Insurance (PPLI)



A powerful wealth management tool for high-net-worth individuals consisting of a specialized form of variable universal life insurance (VUL).



Policyholder's premiums can be invested in a variety of investment options and asset classes.



A tax-advantaged vehicle for tax-inefficient investments.



Offers the same tax treatment as traditional life insurance policies.

## Key Features

### Tax Advantages

- Investments grow income and capital gains tax-free
- Insurance death benefit tax-free
- Access to cash value tax-free

### Asset Protection

- Investments are held in a separate account
- Protected from creditors and lawsuit claims
- Removal of assets from estate

### Investment Flexibility

- Accepts wide range of investment options, including alternatives
- Reallocations allowed at anytime without tax implications
- The policyholder can choose their own investment manager and custodian

## Considerations



### Not for everyone

- Reserved solely for an accredited and/or qualified purchaser
- Those with a sizeable percentage of wealth in invested assets
- Ideal for investments that generate significant taxable income from high turnovers, high yield assets, or short-term instruments.



### Investor Control

- Policyholder cannot exercise control over investments or be involved in investment selection.
- The investment manager must make independent investment decisions based upon the policyholder's general investment philosophy and risk tolerance.



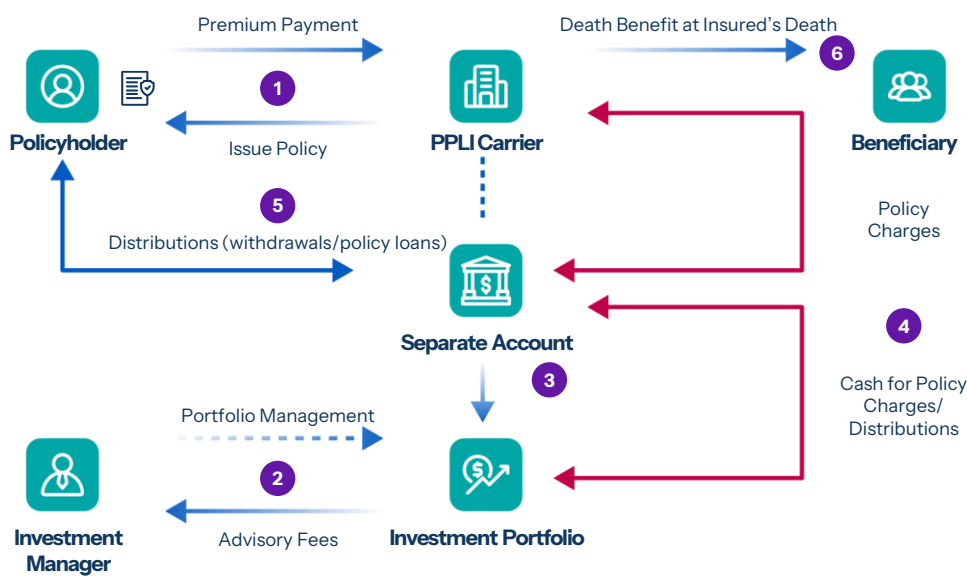
### Diversification

- Must maintain at least 5 individual investments
- Asset percentage thresholds apply – No more than 55% in one investment, no more than 70% in two investments, no more than 80% in three investments, no more than 90% in four investments.



### Liquidity

- Illiquid investments are acceptable; however, some liquidity may be required to meet policy distributions or charges.



- 1 After underwriting approval, the insurer issues a policy to the owner, who pays premiums in cash or in-kind (with in-kind payments subject to taxation on any value gains at transfer).
- 2 The owner chooses a Separately Managed Account (SMA) or Investment Diversified Fund (IDF) for the cash value, managed by a selected Registered Investment Advisor (RIA). The cash value is held in a separate account, protected from the insurer's creditors.
- 3 The separate account invests both existing cash value and new premiums into the SMA or IDF.
- 4 Cash is disbursed from the SMA or IDF to the separate account for upcoming costs, withdrawals, or as collateral for policy loans.
- 5 The owner can receive tax-free distributions from the cash value via withdrawals or policy loans, if structured correctly.
- 6 Upon the insured's death, the insurer pays the death benefit, minus any withdrawals and outstanding loans, to the designated beneficiary, which can also be structured to be tax-free.

## PPLI Sample Scenario

- \$200,000 contributions in Years 1-10
- \$2,000,000 of total contributions transferred into the PPLI policy
- No capital gains tax on the asset's growth when inside the policy
- Distributions can be taken tax-free via policy loans
- PPLI insurance benefit is received tax-free

End of Policy Year	Att. Age (EOY)	Net Premium / Partial With.	Basis for the Illustration 8.0000		
			Fund Value	Surrender / Endowment Value	Insurance Benefit
1	31	200,000.00	206,625	206,625	4,170,809
2	32	200,000.00	427,006	427,006	4,377,434
3	33	200,000.00	662,059	662,059	4,597,815
4	34	200,000.00	912,761	912,761	4,832,868
5	35	200,000.00	1,180,155	1,180,155	5,083,571
6	36	200,000.00	1,465,351	1,465,351	5,350,964
7	37	200,000.00	1,769,534	1,769,534	5,636,160
8	38	200,000.00	2,093,969	2,093,969	5,940,343
9	39	200,000.00	2,440,004	2,440,004	6,264,778
10	40	200,000.00	2,809,077	2,809,077	7,022,692
11	41	0.00	2,994,099	2,994,099	7,485,248
12	42	0.00	3,191,440	3,191,440	7,755,198
13	43	0.00	3,401,918	3,401,918	8,028,527
14	44	0.00	3,626,410	3,626,410	8,304,479
15	45	0.00	3,865,848	3,865,848	8,582,183
16	46	0.00	4,121,227	4,121,227	8,860,638
17	47	0.00	4,393,608	4,393,608	9,182,641
18	48	0.00	4,684,124	4,684,124	9,508,772
19	49	0.00	4,993,981	4,993,981	9,838,143
20	50	0.00	5,324,468	5,324,468	10,169,734
25	55	0.00	7,337,745	7,337,745	12,444,811
30	60	0.00	10,116,592	10,116,592	15,776,209
35	65	0.00	13,952,126	13,952,126	20,094,505
40	70	0.00	19,246,164	19,246,164	25,739,736
45	75	0.00	26,553,319	26,553,319	33,198,194
50	80	0.00	36,639,100	36,639,100	43,192,850
53	83	0.00	44,448,692	44,448,692	50,784,414
55	85	0.00	50,560,111	50,560,111	56,690,155
60	90	0.00	69,774,739	69,774,739	75,353,622
65	95	0.00	96,295,941	96,295,941	101,207,410
70	100	0.00	132,902,124	132,902,124	132,902,124

## Our Unique Approach to Reinsurance

The overall goal is to maximize tax-deferred growth of the policy’s fund value and minimize the death benefit — and therefore the Net Amount at Risk — to reduce ongoing cost of insurance charges.

The Net Amount at Risk (NAAR) equals the difference between the policy’s death benefit and its fund value. This will determine the amount of reinsurance required. Reinsurance can be obtained in 2 ways:



### Traditional Reinsurance from a Reinsurer

- Annual reinsurance charges fluctuate and compound over time.
- Rising costs can erode policy performance and reduce IRR.
- Subject to variable annual charges creating less predictability for long-term planning.



### Synthetic Reinsurance with Domestic Policy (Our Approach)

- **Stable & Predictable Costs** – annual premiums becomes the only planned out-of-pocket expense.
- **Lock-in of Cost of Insurance** – leverage the domestic policy structure to synthetically cover the net amount at risk.
- **Improved Policy Efficiency** – reduces drag on IRR by removing escalating reinsurance charges.
- **Transparent Cash Flows** – premium payments replace opaque reinsurance charges.

## Synthetic Reinsurance: Financed IUL Design



A strategy where a bank finances all premium payments for a high-cash-value IUL policy



Access large death benefit and cash accumulation with minimal out-of-pocket



Client pays interest and posts any additional collateral required to maintain the loan



The bank loan is repaid using the future growth of the policy’s cash value via a policy loan



Client will have full access to the policy’s cash value for any liquidity needs or supplemental income after loan repayment

## PPLI: Cost-Benefit



### Costs

- Premiums on domestic policy (or loan interest, if financed)
- PPLI insurance charges (between 0.25-0.55% annually on fund value)



### Benefits

- No income tax on distributions
- No capital gains tax on assets’ growth
- PPLI assets + insurance benefit are received tax-free

Sample IUL Premium Finance Design

Year	Client Age	Premium	Account Value	Cash Surrender Value	Death Benefit	Loan Repayment (Policy Loan)	Client Pays	Loan Interest Rate	Tax-Free Income (Policy Loans)	Cumulative Income	Beginning Loan Balance	Ending Loan Balance	CSV Net of Bank Loan (Collateral)	DB Net of Bank Loan
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
1	30	\$2,062,575	\$1,844,866	\$1,844,866	\$51,844,666	-	(\$144,380)	7.00%	-	-	\$2,062,575	\$2,062,575	(\$217,909)	\$49,782,091
2	31	\$2,062,575	\$3,826,480	\$3,826,480	\$53,828,480	-	(\$288,761)	7.00%	-	-	\$4,125,150	\$4,125,150	(\$296,870)	\$49,703,330
3	32	\$2,062,575	\$5,947,592	\$5,947,592	\$55,947,592	-	(\$417,671)	6.75%	-	-	\$6,187,725	\$6,187,725	(\$240,133)	\$49,759,867
4	33	\$2,062,575	\$8,211,934	\$8,211,934	\$58,211,934	-	(\$536,270)	6.50%	-	-	\$8,250,300	\$8,250,300	(\$38,366)	\$49,961,634
5	34	\$2,062,575	\$10,632,631	\$10,632,631	\$60,632,631	-	(\$644,555)	6.25%	-	-	\$10,312,875	\$10,312,875	\$319,756	\$50,319,756
6	35	\$2,062,575	\$13,216,715	\$13,216,715	\$63,216,715	-	(\$773,466)	6.25%	-	-	\$12,375,450	\$12,375,450	\$841,265	\$50,841,265
7	36	\$2,062,575	\$15,978,598	\$15,978,598	\$65,978,598	-	-	6.00%	-	-	\$14,438,025	\$15,304,307	\$674,292	\$50,674,292
8	37	\$2,062,575	\$18,929,345	\$18,929,345	\$68,929,345	-	-	5.75%	-	-	\$17,366,882	\$18,365,477	\$563,868	\$50,563,868
9	38	\$2,062,575	\$22,081,612	\$22,081,612	\$72,081,612	-	-	5.50%	-	-	\$20,428,052	\$21,551,595	\$530,017	\$50,530,017
10	39	\$2,062,575	\$25,447,558	\$25,447,558	\$75,447,558	-	-	5.25%	-	-	\$23,614,170	\$24,853,914	\$503,644	\$50,593,644
11	40	-	\$27,167,900	\$27,167,900	\$75,447,558	-	-	5.25%	-	-	\$24,853,914	\$26,158,744	\$1,009,156	\$49,288,814
12	41	-	\$29,015,360	\$29,015,360	\$75,447,558	-	-	5.00%	-	-	\$26,158,744	\$27,466,682	\$1,548,678	\$47,980,877
13	42	-	\$31,000,267	\$31,000,267	\$75,447,558	-	-	5.00%	-	-	\$27,466,682	\$28,840,016	\$2,160,251	\$46,607,543
14	43	-	\$33,133,779	\$33,133,779	\$75,876,353	-	-	5.00%	-	-	\$28,840,016	\$30,282,017	\$2,851,762	\$45,594,336
15	44	-	\$35,427,595	\$35,427,595	\$78,649,262	-	-	5.00%	-	-	\$30,282,017	\$31,796,117	\$3,631,478	\$46,853,144
16	45	-	\$38,059,022	\$38,059,022	\$81,826,866	-	-	5.00%	-	-	\$31,796,117	\$33,385,923	\$4,673,098	\$48,440,973
17	46	-	\$40,986,629	\$5,514,086	\$50,189,511	\$33,385,923	-	-%	-	-	\$33,385,923	-	-	-

Total Out-Of-Pocket Payments: \$2,805,102

Initial Death Benefit: \$50,000,000

Estimated Collateral: \$712,598

Interest Accrued In Years 7-16

Loan Repayment in Year 17

Year	Client Age	Premium	Account Value	Cash Surrender Value	Death Benefit	Loan Repayment (Policy Loan)	Client Pays	Loan Interest Rate	Tax-Free Income (Policy Loans)	Cumulative Income
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
18	47	-	\$44,137,398	\$6,447,821	\$51,909,341	-	-	-%	-	-
19	48	-	\$47,528,766	\$7,483,590	\$53,586,493	-	-	-%	-	-
20	49	-	\$51,179,468	\$8,631,469	\$55,204,784	-	-	-%	-	-
21	50	-	\$55,109,120	\$9,901,870	\$56,744,622	-	-	-%	-	-
22	51	-	\$59,340,580	\$11,307,877	\$57,593,530	-	-	-%	-	-
23	52	-	\$63,897,509	\$12,862,763	\$58,229,994	-	-	-%	-	-
24	53	-	\$68,805,475	\$14,581,058	\$58,616,562	-	-	-%	-	-
25	54	-	\$74,091,158	\$16,477,715	\$58,709,675	-	-	-%	-	-
26	55	-	\$79,780,962	\$18,566,678	\$58,457,160	-	-	-%	-	-
27	56	-	\$85,907,846	\$20,867,669	\$60,385,278	-	-	-%	-	-
28	57	-	\$92,506,201	\$23,401,013	\$62,253,617	-	-	-%	-	-
29	58	-	\$99,613,169	\$26,188,907	\$64,041,911	-	-	-%	-	-
30	59	-	\$107,269,141	\$29,255,863	\$65,727,371	-	-	-%	-	-
31	60	-	\$115,517,832	\$32,628,723	\$67,284,073	-	-	-%	-	-
32	61	-	\$124,397,166	\$36,327,489	\$71,158,695	-	-	-%	-	-
33	62	-	\$133,955,816	\$40,381,783	\$75,210,295	-	-	-%	-	-
34	63	-	\$144,246,167	\$44,823,757	\$79,442,837	-	-	-%	-	-
35	64	-	\$155,324,895	\$49,688,585	\$83,860,062	-	-	-%	-	-
36	65	-	\$167,277,932	\$46,428,029	\$79,883,616	-	-	-%	\$8,104,775	\$8,104,775
37	66	-	\$180,165,226	\$43,150,860	\$77,382,273	-	-	-%	\$8,104,775	\$16,209,550
38	67	-	\$194,058,677	\$39,869,611	\$74,800,173	-	-	-%	\$8,104,775	\$24,314,325
39	68	-	\$209,036,179	\$36,598,974	\$72,135,124	-	-	-%	\$8,104,775	\$32,419,100
40	69	-	\$225,181,757	\$33,355,902	\$69,384,983	-	-	-%	\$8,104,775	\$40,523,875
41	70	-	\$242,586,251	\$30,159,957	\$66,547,894	-	-	-%	\$8,104,775	\$48,628,650

Year	Client Age	Premium	Account Value	Cash Surrender Value	Death Benefit	Loan Repayment (Policy Loan)	Client Pays	Loan Interest Rate	Tax-Free Income (Policy Loans)	Cumulative Income
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
42	71	-	\$261,361,204	\$27,046,943	\$61,023,899	-	-	-%	\$8,104,775	\$56,733,426
43	72	-	\$281,621,238	\$24,051,012	\$55,029,348	-	-	-%	\$8,104,775	\$64,838,201
44	73	-	\$303,493,365	\$21,213,676	\$48,528,079	-	-	-%	\$8,104,775	\$72,942,976
45	74	-	\$327,118,784	\$18,585,291	\$41,483,606	-	-	-%	\$8,104,775	\$81,047,751
46	75	-	\$352,655,654	\$16,227,494	\$33,860,277	-	-	-%	\$8,104,775	\$89,152,526
47	76	-	\$380,165,837	\$14,099,594	\$33,107,886	-	-	-%	\$8,104,775	\$97,257,301
48	77	-	\$409,794,718	\$12,238,012	\$32,727,748	-	-	-%	\$8,104,775	\$105,362,076
49	78	-	\$441,697,347	\$10,662,022	\$32,766,690	-	-	-%	\$8,104,775	\$113,466,851
50	79	-	\$476,038,914	\$9,473,808	\$33,275,754	-	-	-%	\$8,104,775	\$121,571,626
51	80	-	\$512,995,280	\$8,658,532	\$34,308,296	-	-	-%	\$8,104,775	\$129,676,401
52	81	-	\$552,750,274	\$8,281,155	\$35,918,669	-	-	-%	\$8,104,775	\$137,781,176
53	82	-	\$595,500,378	\$8,390,616	\$38,165,635	-	-	-%	\$8,104,775	\$145,885,951
54	83	-	\$641,453,481	\$9,038,035	\$41,110,709	-	-	-%	\$8,104,775	\$153,990,727
55	84	-	\$690,828,976	\$10,276,241	\$44,817,660	-	-	-%	\$8,104,775	\$162,095,502
56	85	-	\$743,842,393	\$12,143,789	\$49,335,909	-	-	-%	\$8,104,775	\$170,200,277
57	86	-	\$800,748,673	\$14,707,583	\$54,745,017	-	-	-%	\$8,104,775	\$178,305,052
58	87	-	\$861,799,448	\$18,019,466	\$61,109,438	-	-	-%	\$8,104,775	\$186,409,827
59	88	-	\$927,250,227	\$22,122,673	\$68,485,184	-	-	-%	\$8,104,775	\$194,514,602
60	89	-	\$997,366,530	\$27,057,179	\$76,925,506	-	-	-%	\$8,104,775	\$202,619,377
61	90	-	\$1,072,436,987	\$32,873,979	\$86,495,929	-	-	-%	\$8,104,775	\$210,724,152
62	91	-	\$1,153,598,962	\$40,447,717	\$96,591,591	-	-	-%	\$8,104,775	\$218,828,927
63	92	-	\$1,241,532,836	\$50,200,546	\$97,446,531	-	-	-%	\$8,104,775	\$226,933,702
64	93	-	\$1,337,048,759	\$62,646,878	\$89,387,853	-	-	-%	\$8,104,775	\$235,038,477
65	94	-	\$1,441,080,538	\$78,417,215	\$92,828,021	-	-	-%	\$8,104,775	\$243,143,252
66	95	-	\$1,554,551,311	\$98,110,208	\$98,110,208	-	-	-%	\$8,104,775	\$251,248,027
67	96	-	\$1,676,914,144	\$120,834,148	\$120,834,148	-	-	-%	\$8,104,775	\$259,352,803
68	97	-	\$1,808,861,330	\$146,915,011	\$146,915,011	-	-	-%	\$8,104,775	\$267,457,578
69	98	-	\$1,951,138,588	\$176,709,570	\$176,709,570	-	-	-%	\$8,104,775	\$275,562,353
70	99	-	\$2,104,550,488	\$210,608,046	\$210,608,046	-	-	-%	\$8,104,775	\$283,667,128
71	100	-	\$2,269,962,180	\$249,037,012	\$249,037,012	-	-	-%	\$8,104,775	\$291,771,903