Welcome to

Access to Your Money: Overcoming the #1 Impediment to Implementing PPLI

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The #1 Misconception About PPLI

Misconception

“Life insurance cash values are difficult to access.”

Concern

“I’ll lose access to my capital inside PPLI.”

The misconception is rational and usually based on retail life insurance experience.

Why the Misconception Exists

Retail Life Insurance Experience	Modern PPLI Design
Often high upfront expenses and commissions	Institutionally priced, lower upfront expenses, no commissions
Surrender charges for 10 years or longer	No surrender charges
Loan rates that discourage account value utilization	Loan rates that encourage account value utilization
Typically a **death benefit** oriented design which yields lower policy account values	An **account value** first oriented design which yields significantly higher account values in all years

Reframing the Conversation

Taxable Account	Roth IRA	PPLI
Significant tax drag	Tax-free growth/access	Tax-deferred growth
Realized gains matter	Contribution limits	Tax-free access
Liquidity is familiar	Income restrictions	No age/income limitations
		Death benefit

PPLI is best understood as a two-way Roth IRA coupled with institutionally priced life insurance benefits

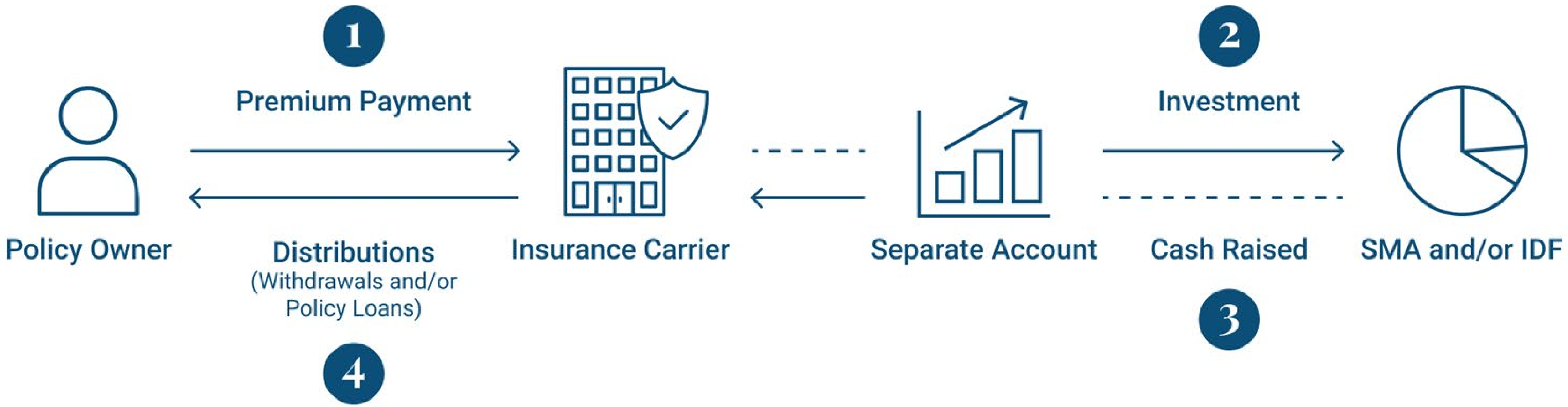
PPLI is not Illiquid nor Irreversible

Nearly 100% of premiums paid into PPLI are available starting day one.

- No large upfront commissions or surrender charges means that nearly 100% of premiums are available to the contract owner from day one, subject to the underlying investment liquidity.
- Not only is cash value available, access to it is contractually guaranteed.
- Loan rates are fixed and a part of the insurance contract.
- The entire structure of PPLI is engineered to encourage account value access.

PPLI Flow of Funds

Where the money is held and how it is accessed.



The policy must hold or raise cash before the carrier can make distributions

A Reminder

- Carrier distributes cash, not securities.
- Cash must exist in the PPLI account before distribution.
- Raising cash may have potential barriers such as fund-level gates and lock ups both in SMA and IDF allocations.
- Liquid investments – stocks/bonds, ETFs, VITs – are immediately available for raising cash.

Simple rule:
policy access ≠
investment liquidity

Withdrawal vs. Loan

Feature	Withdrawal	Policy Loan
Best use	Accessing basis / simpler needs	Accessing growth / preserving upside
Impact	Reduces policy values equal with withdrawal	Reduces death benefit and cash value equal to loan amount plus accrued interest
Permanence	Permanent reduction	Can be repaid
Tax treatment	Tax-free up to basis	Tax-free, including gains, as long as policy stays in-force until death

Mechanics of a withdrawal

Simple, permanent, return of basis.

1. Request withdrawal

2. Determine available basis

3. Advisor raises cash in SMA or requests IDF/VIT liquidity

4. Carrier distributes cash

5. Policy values / death benefit reduced permanently

Mechanics of a Policy Loan

Self-collateralized access to account values for a temporary or long-term need.

1. **Request loan**

2. No underwriting / credit check / lender approval

3. Advisor raises cash in SMA or requests IDF/VIT liquidity

4. Carrier moves cash from separate account to general account

5. **Carrier issues loan**

6. **Policy cash value / death benefit secure the loan**

Ongoing Loan Mechanics

- Interest can be paid or accrued.
- Loan balance can be paid in part or in full at any time.
- Net death benefit and cash value are reduced while the loan is outstanding.
- Loans can be scheduled or irregular.
- Borrowing capacity depends on carrier and underlying investments, typically 85-95% of liquidity.

Simple Example:

$20m death benefit

$10m account value

$2m loan

After Loan:

$18m net death benefit

$8m net account value

Carrier Loan Cost Chart

Carrier	Maximum Loan Amount	Net Loan-Cost Detail	Cost per $1M Borrowed
Pacific Life	Cash surrender value less one year's equivalent of policy charges, less existing policy debt	20 bps charge in years 1-10; 0 bps charge in years 11+	$2,000/yr years 1-10; $0/yr years 11+
Prudential	Greater of: 90% of subaccount/SMA value + 100% of fixed account value, or cash surrender value less current policy charges; reduced by existing policy debt	20 bps charge in years 1-10; 5 bps charge in years 11+	$2,000/yr years 1-10; $500/yr years 11+
Nationwide	Cash surrender value less one year's equivalent of policy charges, less existing policy debt	20 bps charge in years 1-10; 5 bps charge in years 11+	$2,000/yr years 1-10; $500/yr years 11+
Axcelus	90% of account value	35 bps in all years	$3,500/yr in all years
IPL	Cash surrender value less current policy charges; reduced by existing policy debt	45 bps years 1-10; 35 bps years 11-20; 25 bps years 21+	$4,500/yr years 1-10; $3,500/yr years 11-20; $2,500/yr years 21+

Case Study: A Future $4M Liquidity Need

Scenario: In this example a client wanted compare both the expected growth of his investments and the cost of withdrawing $4M 10 years after funding both a taxable and PPLI account with $20M.

Scenario	Projected Balance	Liquidity Need	Cost of Liquidity	Balance After Access
Taxable account	$32,043,407	$4,000,000	$362,729	$27,680,679
PPLI	$36,788,883	$4,000,000	$2,000	$32,786,883

Knowing that each account offers nearly unrestricted liquidity, the question becomes what is the most cost-effective place to find liquidity?

Not "Last Resort" but "First Resort" Liquidity

PPLI is a source of liquidity from a tax-advantaged bucket at a known contractual cost. Why look somewhere else?

- The big idea is to compare liquidity sources rationally.
- In many cases, PPLI may be the lower-cost and more tax-efficient liquidity source.
- A taxable liquidation can be far more expensive than a properly structured PPLI loan.
- Liquidity should be evaluated by cost, control, timing, and policy impact.

Use-Case Matrix

Client Need	Better Tool	Why
Permanent return of capital	Withdrawal	Simple and tax-free up to basis
Access to gains	Loan	Avoids immediate taxable impact if the policy remains properly structured
Temporary liquidity	Loan	Can be repaid
Long-term capital need	Withdrawal or loan	Depends on basis, policy design, and servicing

What Can Go Wrong?

Over-borrowing
Can impair policy performance

Accrued interest
Can compound if ignored

Reduced values
Cash value and net death benefit reduced while loans are outstanding

Illiquid assets
Policy access still requires cash

Lapse risk
Outstanding loans require monitoring

Maximum Loan: 90% of Cash Surrender Value

		PPLI Account								
Rate of Return		*Gross: 8.00%*								
EOY Age	Year	Annual Investment	Annual Distribution Net of Tax	Loan Charge	Loan Credit	Annual Cost	Account Balance	Net Death Benefit	Account Balance IRR	Net to Heirs IRR
51	1	$6,666,667	**$0**	$0	$0	($314,259)	$6,864,366	$87,467,280	2.97%	1212.01%
52	2	$6,666,667	**$0**	$0	$0	($357,525)	$14,232,778	$94,835,692	4.43%	230.46%
53	3	$6,666,667	**$0**	$0	$0	($408,531)	$22,137,491	$102,740,405	5.16%	108.03%
54	4	$0	**$0**	$0	$0	($183,307)	$23,717,373	$80,602,914	5.81%	55.76%
55	5	$0	**$0**	$0	$0	($152,614)	$25,455,655	$47,645,539	6.18%	23.77%
56	6	$0	**$0**	$0	$0	($149,917)	$27,335,841	$41,003,762	6.42%	15.29%
57	7	$0	**$0**	$0	$0	($160,202)	$29,355,722	$42,859,354	6.58%	13.45%
58	8	$0	**$0**	$0	$0	($169,656)	$31,527,339	$44,768,821	6.70%	12.13%
59	9	$0	**$0**	$0	$0	($182,348)	$33,859,455	$46,726,048	6.78%	11.14%
60	10	$0	**$0**	$0	$0	($195,857)	$36,364,060	$48,727,840	6.85%	10.36%
70	20	$0	**$62,445,465**	($1,280,132)	$1,248,909	($90,633)	$7,367,743	$18,742,677	7.14%	7.98%
71	21	$0	**$0**	($1,306,375)	$1,274,512	($87,414)	$7,834,162	$18,764,082	7.14%	7.89%
72	22	$0	**$0**	($1,333,155)	$1,300,639	($89,697)	$8,334,862	$18,045,861	7.13%	7.76%
73	23	$0	**$0**	($1,360,485)	$1,327,303	($89,996)	$8,874,640	$17,300,668	7.13%	7.64%
74	24	$0	**$0**	($1,388,375)	$1,354,512	($88,489)	$9,458,493	$16,530,016	7.13%	7.52%
75	25	$0	**$0**	($1,416,837)	$1,382,280	($84,431)	$10,092,592	$15,736,231	7.12%	7.42%

Advisor Checklist

- Given what we know about PPLI account value access, how much liquidity does the client realistically need outside the policy?
- Considering liquidity needs going forward, are the policy investments liquid enough to support expected access?
- Is the client likely to access basis, gains, or both?
- Which carrier's loan provisions fit the expected use?
- Who will monitor loans, interest, performance, and death benefit?

If clients truly understood that they have access to their funds at any time, and that the cost of that access may be nearly zero, many would allocate more liquid assets to PPLI.

- This requires a significant mental shift, but once it happens it opens up the PPLI conversation dramatically.
- Average PPLI allocation: 10-20% of the investable portfolio.
- Largest clients: >50%.

Our goal is to help our clients and advisors understand the totality of PPLI liquidity, what it costs, and, as a result, why PPLI may deserve a larger role in the family's investable balance sheet.

Know your story.®

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