Enhanced After-Tax Return Strategy

With top marginal income tax rates ranging from 40%-50%, the effect of taxes can have a dramatic impact on the risk / reward ratio for an investment. RPg's *Enhanced After-Tax Return Strategy* seeks to provide a compelling solution for *any tax-inefficient investment* by utilizing Private Placement Life Insurance and Annuities may eliminate all taxes on growth of the investment with no sales commissions or surrender penalties.

What is special about RPg's *Enhanced After-Tax Return Strategy*?
RPg's *Enhanced After-Tax Return Strategy* is a low-cost, no commission, no surrender penalty, life insurance and/or Variable Annuity policy containing a personalized investment vehicle called an insurance dedicated fund (IDF).

Our IDF provides a customized investment allocation designed to accomplish the unique objectives and goals of each individual policy owner. This reduces the challenge of accomplishing investment goals and objectives utilizing only off-the-shelf IDFs and other available insurance based investments.

Our solution also permits for "in-kind" transfers, allowing investors to easily shift their taxable ownership of hedge funds to tax-advantaged ownership within their life insurance policy or annuity. This preserves the terms of underlying investments including fees, liquidity and age of lock-up period, etc.

What makes life insurance and annuities a tax advantaged investment?
Insurance policies and annuities have long enjoyed favorable tax treatment from the Internal Revenue Code. When structured correctly, the cash value held inside an insurance policy or annuity will grow unfettered by income taxes. Depending on the type of insurance contract utilized, access to the cash value via withdrawals or loans may also occur free of income taxes. Additionally, any death benefit received is structured to occur free of income taxes, and potentially estate taxes.

IRC Section 101(a)- Policy death benefits are usually paid to beneficiaries income tax free.
IRC Section's; 2056,2042,2035- Death benefits are transferred tax efficiently.
IRC Section 72 & 7702- Cash Values can grow inside the contract without being subject to tax, and paid out of contract up to basis and then loaned against, tax free, by keeping contract in-force.

What types of investments can I own within a life insurance policy or annuity?
The answer to this question depends on the type of life insurance policy or annuity owned.

1. **Traditional Life Insurance and Annuities** – typically limited to a short list of equity and fixed income mutual fund investments.
2. **Private Placement Life Insurance and Annuities** – All options of traditional insurance and annuities plus a short list of alternative investments via insurance dedicated funds (IDFs).
3. **RPg's *Enhanced After-Tax Return Strategy* –** Custom allocation for each policy with practically unlimited options (including hedge funds and other limited partnerships).

What is a Private Placement Life Insurance policy?
The general public is most familiar with traditional life insurance policies which are heavily advertised by large national insurance carriers. These are generally available to anyone, and include commission costs and surrender penalties.

Private Placement Life Insurance (PPLI) policies offer all of the same benefits as traditional policies, but are only available to accredited investors. PPLI has further advantages of lower costs, and a broader investment universe including insurance dedicated funds (IDFs).

What is an Insurance Dedicated Fund (IDF)?
An insurance dedicated fund (IDF) is an investment vehicle used specifically inside of cash value, private placement life insurance policies and annuities. Most IDFs are created by hedge funds or family offices to provide an investment vehicle to own tax inefficient assets (like hedge funds) within life insurance policies and annuities. These enhance after-tax returns, but tend to be cumbersome and expensive to establish, providing little flexibility to individual investors. RPg's *Enhanced After-Tax Return Strategy* solves many of the headaches found with traditional IDFs.

Can I use my current life insurance and annuity assets with RPg's *Enhanced After-Tax Return Strategy*?
Yes. Your existing life insurance and annuity assets can be rolled over into our strategy by way of a 1035 Exchange. The IRC Section 1035 allows for tax-free transfer of a life insurance policy or annuity, and will result in no tax impact to the current owner. It is similar to a 1031 Exchange often used by real estate investors.

What are the features and benefits of the solutions that are desirable for clients?
RPg's *Enhanced After-Tax Return Strategy* broke the traditional variable annuity (VA) and Variable Universal Life Insurance (VUL) policies into two categories; virtuous and vicious.

The virtuous components include tax deferral/elimination on the earnings and growth of the cash value, and the tax-free death benefit.

The vicious components include the following:

1. **Upfront commissions which can be 100% - 130% of the first year premium**. By removing the agent and the unnecessary origination company, and allowing that cash to start growing immediately, we knew we could drive better performance for the insured and more easily help our clients achieve their desired financial goals.

2. **Surrender penalties**. By removing the upfront commissions, the policy wouldn't need surrender penalties to tie the insured's capital up so the insurance company can recover from the commission it paid to an agent. RPg's *Enhanced After-Tax Return Strategy* is designed to remove conflicts and embrace the Fiduciary standard throughout the entire process of utilizing a VA or VUL within a client's financial plan.
3. **Incentives to upsell death benefit**. Many agents are incentivized through their compensation agreements to sell more death benefit. RPg's *Enhanced After-Tax Return Strategy* seeks only the right amount of death benefit and receives no compensation tied to the death benefit amount. The cost of insurance (COI) in our solution is only a pass through and is transparently reported on in the insured's policy report.
4. **Revenue sharing among the investment managers, insurance company and potentially agents**. RPg's *Enhanced After-Tax Return Strategy* doesn't engage in revenue sharing or any other activity. Revenue sharing with the underlying investment managers only creates conflicts with the insured and unnecessary costs to the performance of the cash-value.
5. **Loan rates represent an additional revenue center for the insurance company**. RPg's *Enhanced After-Tax Return Strategy* doesn't seek to profit from establishing or operating a loan on the policy. By removing this as a profit center, we can objectively assess the most efficient means of accessing the cash-value build up within the policy.

What other features and benefits of this solution should clients appreciate?
By utilizing RPg's *Enhanced After-Tax Return Strategy*, the client gains a number of benefits which include;

1. **Alignment of interests** – With no upfront commission, no surrender penalties, no revenue sharing requirements within the investment choices, and no incentive to upsell the amount of death benefit, your advisor can truly focus on what's most important to you. Accomplishing your financial goals and plans conflict free.
2. **Transparency** – Every component of cost is disclosed up front, and reported on with every policy report. Clients can see every component of earnings and fees broken down on one page in a transparent presentation of their policy.
3. **Lower administrative costs** - RPg's *Enhanced After-Tax Return Strategy* removes commissions, avoids agents, and policy originators by going directly to the reinsurance company (most times to GenRe). The annual costs to operate the policy are often substantially lower than legacy policies wit6h none of the surrender penalties that prolong the fee burden to the insured.
4. **Lower loan rate costs when accessing the loan provision of the policy** – RPg doesn't seek to profit from a loan extended on a policy. This allows us to price loans more efficiently which allows the overall policy to perform better for the insured and their beneficiaries.
5. **Open architecture on investment solutions** – Is not limited on investment options, nor does the solution impose additional costs if a certain percentage of revenue share funds aren't utilized. This allows your advisor to focus on best of breed managers in every asset class. Additionally, we can focus on investment choices that are inherently tax-inefficient to further optimize the overall asset allocation for the end client.

What are the features and benefits to financial advisors to offer this product?
Insurance policies and annuities typically custody assets away from the advisor who recommended the insurance solution. By utilizing RPg's *Enhanced After-Tax Return Strategy*, the advisor may be able to significantly reduce the operating expenses of the policy, increase the returns on the cash-value of the policy by simply accessing more efficiently priced investment options, while simultaneously increasing the portion of fees that go to the advisor, and bringing the assets onto the custodian the advisor and client choose. While the DOL rule is in limbo, clients and advisors have been made well aware that the DOL would like advisors to act in the best interest of clients when it comes to retirement accounts. One of the greatest benefits of utilizing the RPg's *Enhanced After-Tax Return Strategy* is that the advisor can now be a fiduciary to their clients annuities and insurance policies as well. This puts the client first which is what all advisors want.

What makes the solutions different from what is available now?
RPg's *Enhanced After-Tax Return Strategy* can seamlessly "plug" into the Advisor's business and client service model providing "turnkey" insurance knowledge and expertise. The insured and the insured's policy remains the Advisor's client, on the Advisors existing investment platform at the Advisors existing custodial relationship. This gives the Advisor access to unrestricted, conflict free investment options, transparent pricing and no "hidden" fees delivered with innovative, leading edge technology and operational oversight.

Like traditional VA and VUL, our solutions help advisors diminish the impact of taxes and optimize real portfolio performance for tax inefficient asset classes with transparent, simple insurance and investment fees.

Frequently Asked Questions

What are the investment constraints within RPg's *Enhanced After-Tax Return Strategy*?
Your Advisor has the ability to choose and hold what he or she considers to be the best investments for you. This represents unparalleled investment choice. There are constraints you and your Advisor are under:

1. No investor control – Your Advisor, not the client, must choose the investments within the policy based on your overall investment goals and how you choose to use these products to your advantage.
2. Diversification – Your Advisor will be required to diversify the investments. The current diversification rules require no more than 55% in one position, 70% in two positions, 80% in three positions, and 90% in four positions.

What are the costs RPg's *Enhanced After-Tax Return Strategy*?
All three policy types have an asset based fee and are subject to state and federal charges (premium and Deferred Acquisition Charge (DAC) taxes which are not unique to these solutions. The premium tax is reimbursed over time in the annuity.

Costs for each policy differ, therefore, prior to your purchase, RPg will provide an illustration of fees to your Advisor and your health will need to be assessed by Investors Preferred Life (IPL), Gen Re Life (Gen Re) and, depending on the size of the request, additional reinsurers.

There are no early termination or withdrawal fees on any of the solutions. The fees outlined in the illustrations provided prior to purchase are the full fees taken by IPL and ENSPIRE Investments. Your Advisor will charge their normal advisory fee for investment management and normal account custodial fees.

Who is RPg Family Wealth Advisory, LLC?
RPg Family Wealth Advisory, LLC is a Registered Investment Advisor with the Securities and Exchange Commission, providing wealth management services from our offices in Austin, TX and Boston, MA, and Detroit MI.

We specialize in helping investors reduce or eliminate the taxes generated by their tax inefficient assets. Please contact us for more information at 781-547-8660 or support@riskparadigmgroup.com.

Sources: Internal Revenue Code, The Hedge Fund Law
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