

The “Easy” Street to Hard-money: Leveraging one of IUL’s most powerful features

Participating Loans + Real Estate Lending = Win-Win

Jason owns an IUL policy that has built up \$250,000 in Cash Value over the years. During a recent meeting with his Financial Advisor, Jason was reminded his policy has a unique lending feature inside it called a “participating loan” which his advisor re-explained. At that moment the proverbial light bulb went off for Jason. One of his best friends Robb is a real estate investor and “flipper” who has been using hard-money loans at 18% interest to flip houses. Jason thought of a classic win-win scenario where he could help his friend save \$12,000 on his next flip while making a bit of extra money himself.

The Offer:

- Friend Robb pays \$50,000 cash down but needs \$200,000 more for his next \$250,000 flip
- Jason offers Robb a \$200,000 loan at the 80% LTV and becomes first position on the Deed
- Jason offers the loan at 12% interest, saving Robb 6% off his normal 18% hard money rate
- Jason allows Robb to accrue all the interest until the end, unlike the hard-money source
- Jason takes a Participating Loan on his IUL with a guaranteed Fixed Rate of 4.75%

Win for Jason

Win for Robb

	Unfavorable Scenario (S&P loses 10%)	Favorable Scenario (S&P earns +14.75%)
Interest rec'd from Robb (12%):	\$24,000	\$24,000
Interest credit inside IUL:	\$0 (0%)	\$29,500 (+14.75%)
Gntd Loan charge in IUL (4.75%):	-\$9,500	-\$9,500
Jason's Net Profit (exc Policy Chgs)	\$14,500 (+7.25%)	\$44,000 (+22.00%)

Without Jason: **\$36,000**

Pays \$36,000 interest and requires payments each month draining cashflow

With Jason's help: **\$24,000**

Pays only \$24,000 in interest and rolls it all up until Close of Escrow

Bonus Offer

Jason's advisor also told him of another lending feature in his policy that no other product in the industry offers: a short-term INTEREST-FREE loan (0% APR) up to a maximum of \$50,000. Since not all Robb's flips take 1 full year to complete, sometimes he only needs money for a few months. Jason offers his buddy the following deal for loans of 3 months or less: "Robb if you only need money for 3 months, I'll loan you up to \$50,000 and knock my rate down to a 4.0% flat rate. So you pay me \$52,000 after 3 months. How's that sound?!" Robb was ecstatic his friend would help him out like this and besides the low rate, he was just happy not to have to "deal with" the hard-money group's red tape:

	Unfavorable Scenario (S&P loses 10%)	Favorable Scenario (S&P earns +14.75%)
Interest rec'd from Robb (4%):	\$2,000	\$2,000
Interest credit in IUL (0%/14.75%):	\$0 (0%)	\$7,375 (14.75%)
Gntd Loan charge in IUL (0%):	\$0	\$0
Jason's Net Profit 6% / 20.75%:	\$2,000	\$9,375