Audio file

KN2 - Eric Eklund.m4a

Transcript

Hello and welcome to the Newton Knowledge podcast. This is Steve Target coming to you from Philadelphia, PA. I'm one of the partners and principles of new.

And I'm joined today by my colleague, Mark Singer. Hello, mark. How?

Are you this afternoon?

I'm great, Steve. How are you? Good. Super.

Well for those.

Of you who haven't heard our podcast in the past and the intention of our podcast is to complement our webinars, we try and provide meaningful content to our valued advisor community generally, anyone else who's interested in learning more about sophisticated insurance topics related. To estate planning, liquidity and executive benefits and during our podcasts, we tend to focus on discussions of topical issues that provide you with insight into the people, processes and products that make our industry so critical. Occasionally also going to highlight individuals who. Have been very. Meaningful to Newton, one in the industry and therefore. Have contributed to helping us serve our valued. Science, for those of you who haven't met us, Newton one is a national life insurance planning. Delivering insurance solutions structured to have clients and their advisors engaged in solving the state planning wealth transfer, business succession and executive benefits challenges. Remember of the and Financial Group who offers our clients and US access to the nation's most prestigious insurance carriers developing innovative products. Available only through our network. And now under our program today, we're gonna have the the distinct and real pleasure to have a discussion with Eric Ecklund, who's the senior Advanced Markets Council. At M financial. Based in Portland, OR good afternoon, Eric.

Good afternoon guys. How are you?

Doing great. Thank you very much.

What's the weather like over in Oregon, Eric?

It's sunny here. I think it's about 65. I've got the doors open. So did you hear a bird call or something? I. Apologize good for you, we.

We got a taste of spring and then it got cold over the last few days and hopefully it. Gets warmer sooner.

Than later but.

That sounds like Philadelphia to me.

Yes, yes indeed, Steve and I and I'm sure our listeners are very curious about your journey, Eric and and. What that looked? Like Prior to joining the financial team.

You know, I've been in the life insurance or life insurance adjacent business for 18 years. Now, first as a producer for several years and then I changed strategy in my career. But to become an attorney at trust in the States and tax practitioner and then that brought me back full circle here to working with the firms just like yours. And so I've been at end now for three years, I think my. Every three-year anniversaries July 5th. So I celebrated every year nationwide with some fireworks for everybody, so it's fantastic we we always in Oregon or did you?

Travel all over.

I grew up. In Oregon, went to school in the Midwest and lived in in the southern Arizona for or Central Arizona for quite a while, too. But it's it's coming back to Oregon after about 20 years of being away, and it's it's great. It's nice to be back.

That's great. I I have to ask. You have a beautiful bow tie on in your LinkedIn.

Ah, you.

You're not.

You're not using that picture, are you?

Well, it's up to you, but I I have to ask, is that a particular event or you know is that a a constant fashion for you because it's nice?

Yeah, I grew up. Playing a classical music music as a kid and I learned to bow time, so I've always had them. In the operator.

Nice. It's killer. I really like it. I.

Don't always wear them, but.

I always want them.

I had to wear one at a wedding a few years ago. I learned how to tie it via Google and. I forgot how to tie it. I enjoyed it. It's. A nice look.

It it is it, it always is distinctive. Yeah. So you can always stand out when you're going. Unless you're in a, you know, a concert and look like the Penguins ties aside.

What? What are?

You and your your team focused on being a part of the Advanced Markets Council.

With them, you know advanced markets. I think it really is 3 tiers for and M community on one side. I support the core M business which ranges from wealth management to insurance product design to helping firms and help their customers. The the best of their abilities and so there's. Angle and then we work with the carriers to innovative strategies, making sure we're all in alignment, understanding the tax code and the rules and strategies the same way. And then I serve the industry as well with liaison from the legislative support side as well as working with other attorneys in the country. Other associations to advance the needs of our of our customers and our clients, your clients. So it's focusing on the estate planning strategies. The gifting strategies, the business ownership strategies, compensation strategies, business transfer, keeping all of that in mind from of the emotional level of the client, the emotional needs of the client, their families, their economic needs and levels, and maximizing all of that to the best that we can. Everyone's recipe is a little different, so you gotta tweak it, but in the end we all like chicken and veg.

That, and, you know tax codes or state threshold income tax, whatever it may be, I feel like it's ever change. So to have a resource, yeah, to have a resource such as yourself and your team as an advisor or producer, and this is fantastic.

It's always changing, yeah. That's what we aim for. Absolutely what?

What do you think out of the the partner firms? What what makes and firms itself unique in comparison to other insurance advisor model agencies?

I think one of the greatest things I ever heard about the insurance industry that translates to any business where you are.

Working with a.

Client, right? You're they're doing something to somebody. Or for somebody. And if it sounds. Like it's well belt light belt. Might choose. It probably is. Right. If it sounds too good to be. True. Probably too good to be true. But if you're focused on doing things for people. Be your professionalism shines through and you have a very successful life and successful business because your clients are successful and I say all of this because I feel that my experience with M firms is that everything is solely focused on the benefit of the client. Now in the legal world, we have a standard for this called a fiduciary standard, and I don't want to cloud things up with that kind of best interest. It's really about that. You tend to have relationships with your clients that are deeper and stronger. And you know them. And because they feel that there's a life trust and ability to help them. Like the decisions that benefit their farmers, I think that is the biggest difference between firms and many other advisory firms I've seen out there. They all say they do it, but I see it in action every day. The other thing that's different is the relationship with and financial end financials group of owners because as principles of the firm you own in financial and non of I recognize that clients don't necessarily know that but you have banded together as the top professionals in the. Free to use the scale that you have collectively to make unique clients properly unique products for the clients so they can get something with a big name, prestigious insurance carrier and not only that but you give them a special advantage because we have developed specific. Pricing models and economic models with those carriers that are only available to our clients. So I think there's a big difference.

Those are all great points, Eric. You said fiduciary responsibility and there's so many avenues, products, different ways to construct policies. We we mentioned tax codes. There's so many different variables. You know, when it all comes back to what's best for the client, their goals and objectives, it makes our job so much easier to just always hang our hat on that. So that's a huge point. You also mentioned products, the three main factors are the the three legs of the stool that hold up our proprietary products are as you know, volume preferred mortality experience and elite persistency. Additional factor in one of the most important ones is our reinsurance company. Then right? Can you explain high level what reinsurance means and and how it plays an imperative role concerning the structure and pricing of our enterprise vary products?

I'll give you the answer that I was told when I asked that first question earlier in. My career. What's your reinsurance is it's insurance to the insurance or what does that mean when an insurance company says I'm going to take $10 million of risk? They're not going to take all that risk, they're going to share some of that. Risk with another group. And that group is called a reinsurance company. And as you said M and I could have said this, but because I didn't, M has its own reinsurance company. So what that means is if you go to a prestigious carrier and you say I want $10 million of life insurance, they say, OK and we already know they're not going to take all 10 million all the time. Sometimes I do it, sometimes I take fifty $60 million of of risk. But I'm always says we're going to participate in that risk with you, carrier. So when you insure. Our client we are on. The hook and you're on the hook. And that's something that I think would be it's transparent to clients. They don't know this, they don't understand it, but what it means to you as a principle of a firm as an owner and and me right, because you're actually saying to your client, I'm going to take economic risk in providing your family security. I'm not just handing it off to another carrier. I am taking a risk along with you and everyone else in this, and that is a completely unique thing that nobody can really understand. Bill, they see that money in actions, they get that check and they realize, oh, that came from the money I saved. It came from the money. But the insurance company created and it came from the money that my infirm helped create directly. That's what reinsurance is. It says I'm going to share the risk with you while you take the risk, we reinsure the client, somebody else reinsures us. There's actually a third level called retrocession there where they reinsure the reinsures.

That was great and the concept is great and advantageous for our clients and advisors. My thought, why don't other firms do this, you know, and being the only one.

To say I'm going to take a million.

Dollars of risk.

I have to have $1,000,000 sitting somewhere. Not everybody can do that. It's this scale. It's the maturity. 40 years of working together in this way of end firms. Again, that's very hard to duplicate. They were first and they've been able to make it work. And because of that it just grows and grows and grows and grows. But to start there, it's very difficult.

Eric, is it fair to say almost everybody in the insurance buying process with M firms, we're all sitting on the same side of the table. We as the advisors, the clients who are engaged of course in the transaction, the insurance company and financial, the reinsurance company. And so all of our interests are aligned because we all want successes. The same.

Way yeah, it took to the degree that we defined. The success I think everyone's interested. Or definitely in mind. It's always tricky when you're working with. A client because. At some time, somebody's going to have to buy a product or service and and you know which hat and all those things. But the fact that you can sit down as an advisor and say I'm going to put my own money at stake as well as the carrier in indirectly, of course. But the carriers most at stake almost at stake. Your money is at stake. We're all in this together. I think that's a fair statement to me.

Well, as we all know, there's been, there's been a lot of changes since the election in 2020, a lot of speculation on on what's going to happen moving forward. Some things have changed, a lot is, you know, kind of floating out there in terms of rumors and against speculation on what may happen. So let's spend a little time going through some of the. The we'll call them potentially opportunistic planning strategies if or when some of these changes take place. But then also there's, you know there's simply just based on where the the economy is today. We think that there's some real opportunities out there so.

Sitting in the seat where you are with your.

Bow tie and your. Experience in the advanced markets.

We're going to ask you to.

Listen today guys.

I think we have to use.

That picture now. Yeah. Yeah, absolutely. So we'll, we'll ask you to maybe help us help our our listeners understand some of these topics. We won't dive. Real deep into. Them what's you know, what's kind of and not really a rapid power format but. Let's go through some of these topics and.

The the first one.

That us in the insurance world, kind of. Nerd out to would would be. This this impact to insurance pricing that took place at the end of 2020. You know the definition of life insurance is defined by section 7702, but there was a pretty neat little change that occurred in there and insurance companies I I think are still figuring their way through how this will will actually impact. The pricing or the advantages that the life insurance products offer, but from your perspective, why would you kind of frame that as an opportunity for those who are looking to buy insurance?

You bet our friend. This is as how the what time it is versus how the watch works. If you want to know how the watch works, published an article in trust in the states that came out in April of 2021 that you can go grab and read all about it. But what time it is is that the life insurance companies are only allowed by law to take so much money. And premium before that money becomes an investment contract. And the reason that is a difference is because investment contract is taxable income, a taxable result. Life insurance is the only financial instrument in the US tax law that allows for tax deferred. Of tax free access during the policy owner's lifetime and a tax free death benefit as long as everything's. Properly structured, which is the totally normal. Way to structure life insurance policy. It's the only instrument that has that. So in order to put the brakes on that, Congress said, we can't let too much money go into these contracts or they will be investment contracts, right? That's fine. We we. That's great though to have in 1980, four, 1986 and that kind of temper, there's three major laws we'll skip. The impact to that has been fine. People have been buying permanent life insurance for 40 years now. Under these rules, no problems. Except we are in a different economic environment today. We were in the 1980s. How technology all these things aside, there's a simple thing called interest rates and interest rates in the mid 80s were so high that everyone thought that was the normal standard. So they said look, you've got 10 to 15% commercial loan rate interest rates today. So we're going to set these rates at 4 or 6%. Great, that works forever and ever and ever. As interest rates went on a downhill slide as they have since that time to now, whether at record lows one, 2%, all of a sudden insurance companies couldn't actually create products that buyers of insurance could buy and have enough premium in them to guarantee the security. Of that insurance. Then there's some state laws that got the way as well. So what they did is they took these rates to make sure it's an investment contract. We're going to decrease those rates. So you're able to put more policy premiums and support your policy, have it be more secure. And so there's great opportunities here. One of the really well known. Concepts in life insurance is because we can use tax deferred. Growth during life and. We have tax free access during. Through withdrawals of the basis or the policy loans, if we structure these policy this way, you can have supplemental income. When you need. It from your policy if you need. It and so we're able to do now is put more premiums. In by less death benefit. And have more and less cost of insurance drag and grow that pot bigger fast. And by doing that, what actually happens is if they start with a lower death benefit and more premium actually have a much higher death benefit at the end than I would have had it. I bought that that benefit at the beginning. So it's a very interesting time for people to really go in, look at their policy, especially with a cash value policy and say what? Friend, does it benefit me if you aren't a cash value life insurance owner? It's the best time that it's ever been to buy it because you get the most advantage because you have more capacity to put premium in.

You know, so. And understand and Newton wants certainly that. This is is our annual policy audits going back in auditing policies, performance over new opportunities. Available, but then also opening the door to create new conversations on on new policies. Let's stay within this low interest rate environment because.

One of the.

Techniques or strategies or conversations that we've we've had over the last year with clients or related to intra family loans and really capitalizing on the low Fr rates. Have you seen that through Portland and them is is that a a strategy that that you all have seen being implemented as well? And if so, tell us what the benefits?

That is, yeah. That is one of the biggest strategies in all of estate planning. What an intrafamily loan is. If a son borrows money from Dad or vice versa, that's an intra family loan. Every loan must actually have an interest charge to it or it's not really alone. It's a gift. Now we know and your advisors and know, but maybe your clients don't know. When you make a gift that's too big, it's a taxable gift and the government comes and says we want 40% of that gift. So instead of using gifts, we use loans. We can move a lot of money. Between parties because there's an obligation to repay that debt in the future. So you lend me $250,000 for five years that I owe you 1 1/2 percent on one or 2% on. And that is a statutory federal minimum rate that says till the applicable federal rate. If you charge that minimum rate of interest, it will be bonafide as a loan. It will not be seen as a gift. So we use that strategy all the time to move company shares, to move cash, to move home, to move any kind of asset. You just have to say, here's the loan terms. There's the promissory note, you're going to pay me interest on this and then you're going to owe me back the principal amount. Well, what happens when you give and appreciate it? You use an appreciating asset in one of these loan arrangements. Maybe the assets worth $100,000 today is worth $1,000,000 tomorrow. Well, I'm already paying interest on 100. So I pay that year. Over year, let's say 1 1/2%, so here's 100. Or 1500. Dollars every year and now all. Of a sudden we're. Going to sell that property for $1,000,000 and $850,000 has been moved to the party. You want to move it to at a cost of $1500. A year and. You return the principal, so here's $100,000. Steve, I've got this 850,000. You've got the interest payments and we have just moved a lot of money for a very small cost versus a gift tax of 40 percent, $1,000,000 gift. Tax 400. $10 a $100,000 gift, $40,000 so you can see there's a huge amount of leverage that's is here at play and it's a phenomenal way to help families transition things that they need to.

Transition. Let's not forecasting, but trying to read the tea leaves a little bit. Many believe that. State taxes are going up. Income taxes will be increased, capital gains taxes will be increased with all of that. Arguably one of the most inefficient from a transfer perspective assets to own at death is a qualified plan asset. So whether that's affordable 1K or an IRA that's been sheltered and tax deductible, it's never been taxed. And anything above the exemption there could be a an income and an estate tax and, you know, effectively wiping out a large percentage, a large portion of that of that qualified asset from being passed down from generation to generation, not to even, you know mentioned the fact that the stretch IRA planning technique is is eliminated as well. One of the things that we've seen. Out there and talk to clients about. Is the opportunity to perhaps. If that IRA is not as critical an asset for our current income, in other words, there's there's plenty of other assets available to keep the standard of living or whatever distributions or income or capital needed to keep the family and and the household running. If there's an asset out there that's tucked in this qualified plan, maybe we should accelerate some of the distributions. And while this may seem backwards. Pay tax today. Today and then potentially even leverage that distribution into effective and efficient trusts that may end up buying life insurance policies for an individual or or survivorship. So the policy is that something we've seen out there, we we call it a leveraged RMD to you know to to get to get fancy with it. But. Talk to us a little bit about that. If if you've seen. That in the marketplace. Yeah, absolutely, you know.

First off on this, it's such an interesting thing. Because people have the opportunity to save money for retirement and is a way to stimulate that and support it, Congress says. Here are some tax favored plans now. This is the next best plan to approve a life insurance contract because it grows tax deferred and sometimes you don't get it, you get a tax deduction or the contribution. The difference is that the money comes out taxable. People have this incentive and enter work and diligent hard work and savings. They accumulate a lot of money in these plans. And then, because it's such a big, nice number at the end, they think, well, I don't really want to spend that. I want to give that to my family. So I'm going to name my children or grandchildren as the beneficiaries of my retirement plan. So when I pass away, they will get that money and that will make me feel really good. And it's a wonderful, beautiful. But there's a problem. That money has to be taxed and when the account is large enough, it could be subject to an estate tax, and when it's transferred to a grandchild or further, it could be subject to a generation skipping tax. I mentioned a gift tax before it was 40% under current U.S. law 2021. What is? On May 10th we have at this 40% unified tax rate between gifts, estate, taxes and generation skipping taxes. There are three tax systems that run parallel to the income tax system. Now when I die and I leave from $3,000,000 RA to my child, they have to pay income tax on that money at some point in time and that is going to be a huge bill. If I took 3 minutes of income, I'm definitely in the highest tax bracket, so they're going to take. The most money. Out of that, if I have. Other estate tax assets that now might be even reduced by 40% and then income tax comes out of it. So that could be up to 82% tax rate on this money that I worked so hard to save that I felt so good about giving my family. So in these situations, because not for everybody, right? But when you see this happening as an advisor, you look at ways to minimize that in tax impact in addition to all of this, there's another rule that says, you know, you want to give this to your family. And so we are going to make you start taking money out at age 72 and that's. Recalled required by the required minimum distributions. Boosted note as 7 1/2 but they ramped up that high to 72 now. So one way to do that is to use requirement and distributions to buy life insurance in such a manner that it's either sufficient to pay the tax. Or can be used for another asset when that tax has to be paid. So it's a way to make sure you're insuring the ensuring the entire transfer versus what you hope and thought you were going to do by leaving your child and grandchild as the beneficiaries of these of these assets. And so we've actually gone to a study. To look at the thing when there's economic switching points and when it's beneficial, when it's not beneficial. But I'll tell you what in 80% of the cases it works really well, but it's a it's a common strategy that's difficult to understand. Until they see that what they've worked so hard to put together isn't what? They get the transfer. Then it makes a a client think twice. On how they want to. Structure their whole retirement plan.

Well, I think you know, you bring up a good point too and that point is that, you know, a lot of the concepts that we that we work with clients maybe are not so obvious when we start the process. But everyone situation is different. Every planning opportunity requires a lot of. Deliberate and slow and thoughtful and and including everybody who's who has. A A you know a stake in. The in the process coming up with a solution and in many cases multiple solutions. And then coming. To the conclusion of of which one might be best, just kind of throwing out some other ideas. One of the one of the. If we stay in this, this increasing tax environment, which we we think we're about to enter into and shifting a little bit over to executive. Efforts and we add new wine and certainly across the Community as well as the those are engaged in executive benefits and that can be you know helping companies mitigate some of the potential future corporate tax increases or you know structuring programs to help recruit and retain and reward employees or executives. Or to finance buyouts and and or key person liabilities? And you know, one of the interesting dynamics I think that we've seen anyway is, you know, some companies not going would have done really, really well over the last couple of years and certain industries have done really well. Not all, of course, some have certainly struggled in are in kind of a tough spot right now. But there are those that are doing extremely well and those are the companies that are looking to. You know, keep their valued. We use. In health and well-being being taken by a a competing company, is there one strategy that you've seen out there is is split dollar back in favor again, are there, are there other strategies that that you might have seen there or are seeing come across your desk that you think would be worth sharing with our community?

Well, that's a that's a deep question, is like a factor. I would like to focus on two areas if you want my #3. The first one is what you said. Recruit, retain and reward employees. Businesses have a lot of advantages given to them again by Congress to incentivize employees to stay. And that stated their health insurance, flexible spending. And paid time off and. These things, but one of the most impactful things is disability insurance and life insurance, and companies can offer these benefits at a tax favored position for the employee. And so in addition to our hard dollars, right, the check that we get every week, two weeks or whatever and the taxes are taken out. These deposit our account. In addition to those hard dollars, I like to go soft dollar benefits of all types and so by using financial instruments with sophisticated way which is completely, completely within the reach of every business owner, because those are your experts in this. So you don't have to understand what a business owner you just have to understand that your advisors understand it, but they will work hard to make sure you feel good and understand it as using these these financial instruments in certain ways, you create literally a bond between you and the employee or the person you're trying to recruit. Maybe they have a special needs. Well, maybe they have a special retirement goal. What is it that you can do that's equitable to all the employees, equitable to you, the business owner and you can use to tie that recruit or that key employee to you so that they don't leave because you know the value that they bring and they understand that there's a value that they bring. So. I think there's a good opportunity to have a conversation, you know, key person, life insurance, there's pension plans, there's special types of carve out disability plans, all kinds of really great, exciting things that you know that you guys do for your clients that I think every business owner should be aware of. So that's the recruiter.

On the work.

The next important thing to me, I think, is understanding the business balance sheet life insurance that's owned by our company. If a death bank that is paid, it comes straight to the balance sheet as non tax dollars as we've talked about a a person owning life insurance having those benefits of tax deferred. Growth tax free access during the policy owners policy insures lifetime and then tax free death benefits properly structured, which is just a simple notice of concern. Inform the company can own life insurance on its owners, executives, key employees to make sure that there's a company, there's money in the business to handle an event such as. The death of. A key person. This is a big deal. And that money. That grows in the company just as it does on the personal side. It grows tax deferred. And can be accessed tax free university if you need to have an investment for a business, you need to go. Out and do a trade show or recruit somebody you have cash in your coffers. That's protected by this wrapper. But even we thought that before send us in that you it's particular this wrapper it's it's a great opportunity. So it's a great way to accumulate money inside of the company as well because of putting money in the bank account and putting in the bricks and more that capital is going somewhere a life insurance place. There's a place that companies don't realize they can hold money in. It's it's a great place. To do it.

The opportunity to have cash value on balance sheets, whether it's bank on life insurance or insurance company or life insurance or corporate and life insurance, it really is valuable. I mean if we when we can leverage the tax on the borders. And still keep an asset on the balance sheet of the company. And then of course have a death benefit that's that's extremely valuable. That's the Swiss army.

Well, I I heard somebody say once. Think of the insurance policy as an employee. Put me on. Your payroll or when I when you walk out, I walk in with $1,000,000, right. That's what the insurance does. It's amazing.

Plus, they have all the.

Benefits of the tax features the third thing that that I came to mind was the business transfer. Nothing is more expensive than a business transfer, and I'll tell you why. On one hand, somebody has to earn the money. Let's say I want to go and come and buy a business. I have to earn money. I have to pay tax on that money so that I can buy that business. So I have to pay. But if I have to go my top tax rates $1.67, I have to earn a dollar. 67 to go buy a $1.00 asset that's that's painful. And if you're a business owner who's going to transfer it, the key people if you don't have outside money coming in to buy it, they just describe. You are going to find a way to give up something so that those employees have capital to return to you to buy out your interest. So you are in effect funding your own buy out. This is the truism of all business owners that goes overlooked until they have to look at and I think because it's. They know it's true. They don't. So what? To avoid it. So what we look at a lot in my work is business transition plans that use financial instruments to accumulate money that can be used to buy the other employee. I can defer some of my income into a plan that becomes a savings account. That I can use to buy interest in the company. And those we might call non qualified deferred compensation plans, they're just ways that you can accumulate money that you earn my money. I'll pay taxes on it and I can use it to buy your shares. And you can I can become a business owner. That's one way. Another way is to have a buy sell arrangement where maybe there's partners or there's two people. They have an agreement that at the death of a certain triggering event of. Party, but they will come in with cash and buy their assets well. Where do you get that money? You earn it. You'll borrow it, your bank, you steal. What are you gonna do? To get the. Money to to to make it happen. But you know that if you put insurance products through that plan that when that was just talked about, you walk out the money walks in all of a sudden. You have capital there that can buy that interest. And that's available for disabilities. That's available for divorces and retirements is when using cash value life insurance. Not only have the death benefit, you have the cash value, but all the taxes we talked about before, it's all there. So you can use these financial instruments as such powerful ways in transitioning the business that it has to be said the 3rd way. Like I want. To talk about this is that employees? Might want to be able to tour. You can sell it to your employees to what's called our ESOP or employee stock ownership plan. You create a plan, they get money to buy shares from you and you become in business with your employees, but still in control. And they control the company. And that's another great way to transition to business. I know that's a lot. But you asked staying in real quick before we wrap up, I just.

And I have to bring this up. Talking about business owners and using leverage. Utilizing this continuous low interest rate environment and premium financing, some of these solutions, what are your thoughts on that?

Premium financing is an interesting thing and and I I actually I'll I'll then take credit for this because I coined it. I think every premium is financed. It's either self financed, it's privately financed or it's commercially financed. So when I think about that, I think where is the premium going to come from? My paycheck is. Going to come. From my a gift from my grandparent, or am I going to go out and get other money to to use other people's money to buy my insurance? Well, this is a very common thing and. It's common because of the reason we talked about backwards about gift taxes. I can borrow money and make a pay an interest rate, or I can make a gift and pay a gift tax. Rate, even if it's a 6% commercial interest. Rate, which was not. Right now, like 2-3 percent, 4%, even a 6%, that's a lot cheaper than 40%, right? Anything cheaper than 40% is a better deal. Big banks and small banks, community banks will loan. But to borrow the money to buy the life insurance and then they use their death benefit. And cash or that have collateral, it's all very well secured and very well. It's a very standardized process. You borrow their insurance, my premiums, they pay the premiums. The policy grows as fast as it can, as strong as it can, and then at some point you owe that money back to the bank. You never going to come back for it, so you use either outside money that you've accumulated to pay that money back, or in some cases you might support repaying that loan with policy values. Whatever is making the most economic sense at the time. But there's a reason we use other people's money. It's because we know we can do better with our money than it might be able to do in that insurance contract at that time. So that's kind of where I see premium financing being really useful and how we use. Hold on.

Thank you for sharing and thank you for giving us the opportunity to take that and steal that, Jim. And we have it recorded. So if we have to refer back, we we certainly will, but this is.

Yeah, I see that because we see a lot of times in, in my area, I get across my desk least twice a week. Have you seen this premium finance arrangement? Well, we talked about white belt white shoes too. Good to be true, probably as in some cases they are demonstrating our program. That everything has to workout just right and we all know as we get through life, nothing worked out the way we wanted to, but we always came out stronger for it. So I get discouraged when I see clients getting only these types of opportunities, these clients opportunities, you know, I think one of the. Hallmarks of them of. Em from you're taking these, you're. Dissecting them, you're understanding them. Your stress testing. Them and giving your clients back real. Good advice, not just sales.

Eric, this has all been great information. I want to thank you for your time. We're coming up on a close, is there? Anything else you? Would like to add for yourself and for our listeners before we depart.

No, I just really appreciate the times that to talk to you. I hope it is at all useful and and continue your guys. Good work. It's great to know you and more it's part of the work that the firms do.

Thank you so much. This was great. We'll. Be in touch soon.

All right, well.

Take it easy.

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