

FS
FORTUNE STRATEGIES™



*Protected Equity Plans
for the Non-Citizen*

Protected Equity Plan (PEP)

The foreign nationals are drawn to investments in the USA because of the increased stability and predictability. The Protected Equity Plan (PEP) is a plan designated to accumulate wealth through a principal protected and tax advantaged vehicle for the generation of future income.

The Protected Equity Plan uses Indexed Universal Life Insurance Policies with the following unique features:

- Rate of return is result of selected equity index accounts
- Principal is guaranteed and therefore protected from market declines
- The principal guaranteed is reset each year to include the earnings accumulated
- Cash value growth is tax deferred; no notifications of taxes due are produced in the USA to be shared with a foreign taxing authority
- Tax free distributions (via loans against the policy) without tax paper trail
- Investment can be protected from the claims of creditors
- Residual benefits paid as a death benefit to family members can be tax free

The Protected Equity Plan (PEP) is a principal protected and tax advantaged income generation vehicle with significant death benefits as well.

Age 41 – Preferred, Non-Smoker California Resident
Protected Equity Plan

Values No Distributions				
Year (EOY)	Contributions	Cash Surrender Values Guaranteed No Loans/Withdrawals	Cash Surrender Values (6.35%) No Loans/Withdrawals	Death Benefit Non-Guaranteed (6.35%) No Loans/Withdrawals
1	276,327	276,327	276,327	11,500,000
2	276,327	552,655	552,655	11,500,000
3	276,327	828,982	828,982	11,500,000
4	276,327	1,105,309	1,105,309	11,500,000
5	276,327	1,381,636	1,381,636	11,500,000
6	276,327	1,657,964	1,657,964	11,739,553
7	276,327	1,934,291	1,934,291	12,118,890
8	276,327	2,210,618	2,210,618	12,521,537
9	276,327	2,486,946	2,486,946	12,953,604
10	276,327	2,763,272	2,953,604	13,133,485
11			3,133,485	13,738,198
15			3,963,063	13,738,198
20			5,301,362	13,738,198
25			7,100,162	13,738,198
30			9,537,518	13,738,198
35			12,872,864	13,738,198
40			17,459,124	18,332,080
45			23,612,537	24,793,164
50			31,737,493	33,324,368
55			40,278,377	40,681,161
Age 100			54,796,908	54,796,908

Values With Distributions				
Year (EOY)	Lifetime Tax Free (Annual) Distributions	Cumulative Distributions	Cash Surrender Values (6.35%) Net Loans	Death Benefit Non-Guaranteed (6.35%)
1			276,327	11,500,000
2			552,655	11,500,000
3			828,982	11,500,000
4			1,105,309	11,500,000
5			1,381,636	11,500,000
6			1,657,964	11,739,553
7			1,934,291	12,118,890
8			2,210,618	12,521,537
9			2,486,946	12,953,604
10			2,953,604	13,133,485
11	245,373	245,373	2,888,113	12,888,113
15	245,373	1,226,865	2,640,476	10,412,734
20	245,373	2,453,730	2,308,885	8,720,070
25	245,373	3,680,595	1,988,257	6,559,753
30	245,373	4,907,460	1,739,303	3,802,581
35	245,373	6,134,325	1,669,196	2,315,690
40	245,373	7,361,190	1,858,632	2,749,155
45	245,373	8,588,055	2,262,161	3,608,302
50	245,373	9,814,920	3,376,786	4,995,595
55	245,373	11,041,785	5,361,861	5,361,861
Age 100	245,373	12,268,650	8,268,469	8,268,469

*Lifetime distributions total \$12,268,650 (\$245,373 year 11 through year 60), distributions are tax free (via loans against the cash value)

**Death benefits are reduced to lower mortality costs in order to maximize lifetime distributions

Projected tax free life time distributions total \$12,268,650 (\$245,373 per year from year 11 through age 100)

Comparison of Indexed UL (6.35% with 1% Guaranteed Return) & Investment Account (pre-tax 10.50%)

Assumptions:

Age 41 – Preferred, Non-Smoker

Annual Deposit of \$276,327 for 10 years

Indexed Universal Life Policy with a projected return of 6.35%

Investment Account (pre-tax 10.50%)

Indexed UL 6.35% Projected Return (1% Guaranteed)

		Advantages	Disadvantages
*Guaranteed Surrender Value Year 1	276,327	Cash value guarantee 10 years	Mortality costs
Guaranteed Surrender Value Year 1-10	2,763,273	Downside Protection	Upside is capped at 12%
***Annual Tax Free Income Starting 11th Yr.	245,373	Tax Deferred Growth	Loan fees
Cumulative Tax Free Income through age 100	12,268,650	Tax free distributions via loan	
Initial Death Benefit	11,500,000	Death benefit for family	
Death Benefit at Life Expectancy (Age 87)	26,319,468		
Death Benefit at Age 100	54,796,908		

Investment Account (pre-tax 10.50%)

		Advantages	Disadvantages
Projected Value Year 1	293,852	No Limitation on upside	No protection on downside
Projected Value Year 10	3,935,975		Income subject to income taxation
****Annual After Tax Income Starting 11th Year	245,373		
Cumulative After Tax Income To Age 99	12,023,277		No insurance benefit for family
Initial Death Benefit	0		
Account Value at Life Expectancy (age 87)	2,378,549		
Account Value at Age 100	0		

*Withdrawals and policy reductions are not allowed during the guaranteed period. Loans are permitted but are against the natural account value. The full guaranteed amount can be accessed only through cash surrender. **Current cap is 12% with 100% participation rate; the carrier can adjust caps on an annual basis. ****Loans taken against the indexed account are at a fixed rate of 5.3% until age 100 and then 3% thereafter. The indexed crediting rate is paid on the money even though it is borrowed. A crediting rate of 6.35% would result in a positive spread of 1.35% whereas a crediting rate of 4% would result in a negative loan spread of 1%.*** The tax rate 39.6 (federal & state) is assumed on the Investment Account.

Transaction Diagram

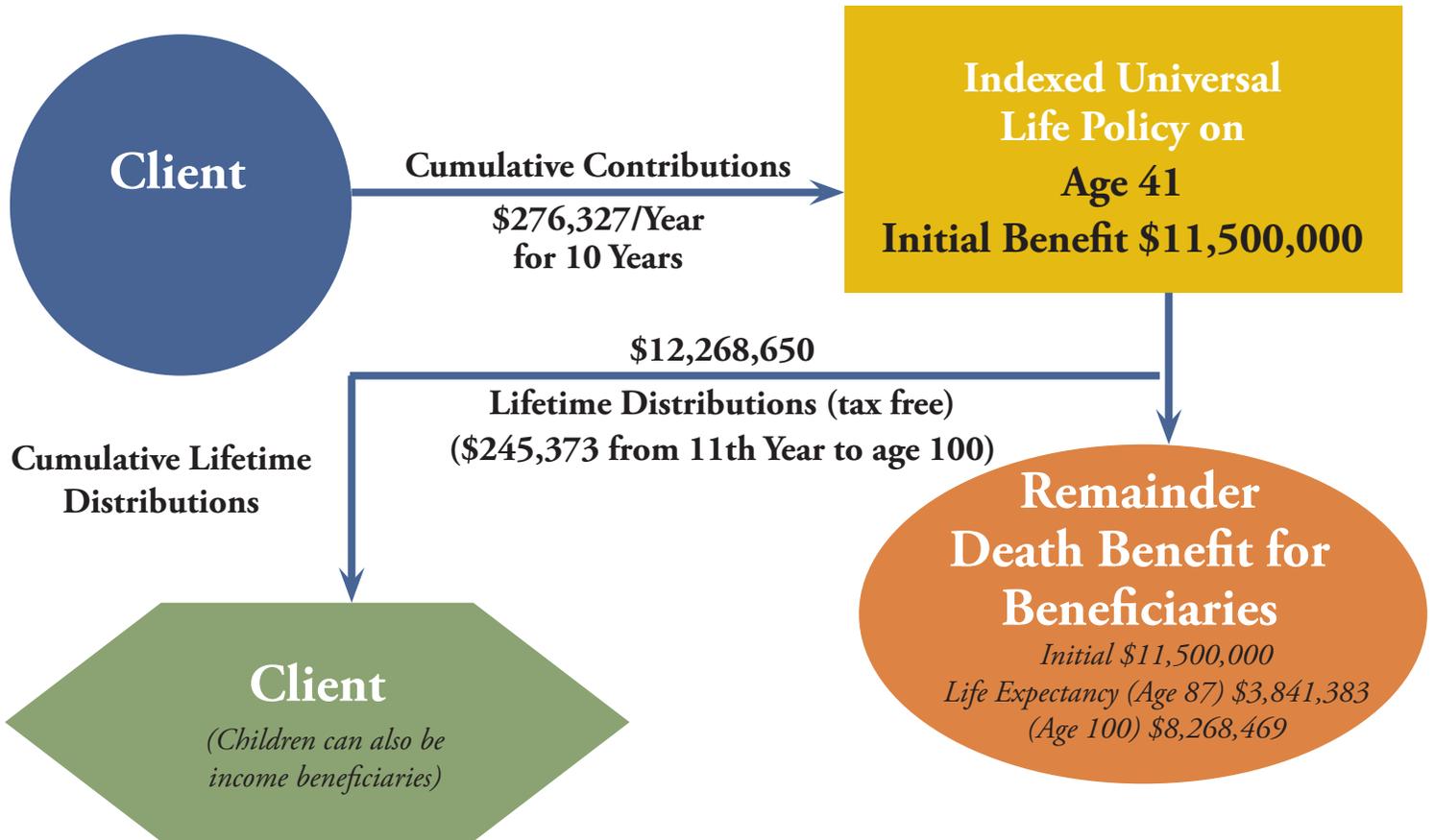


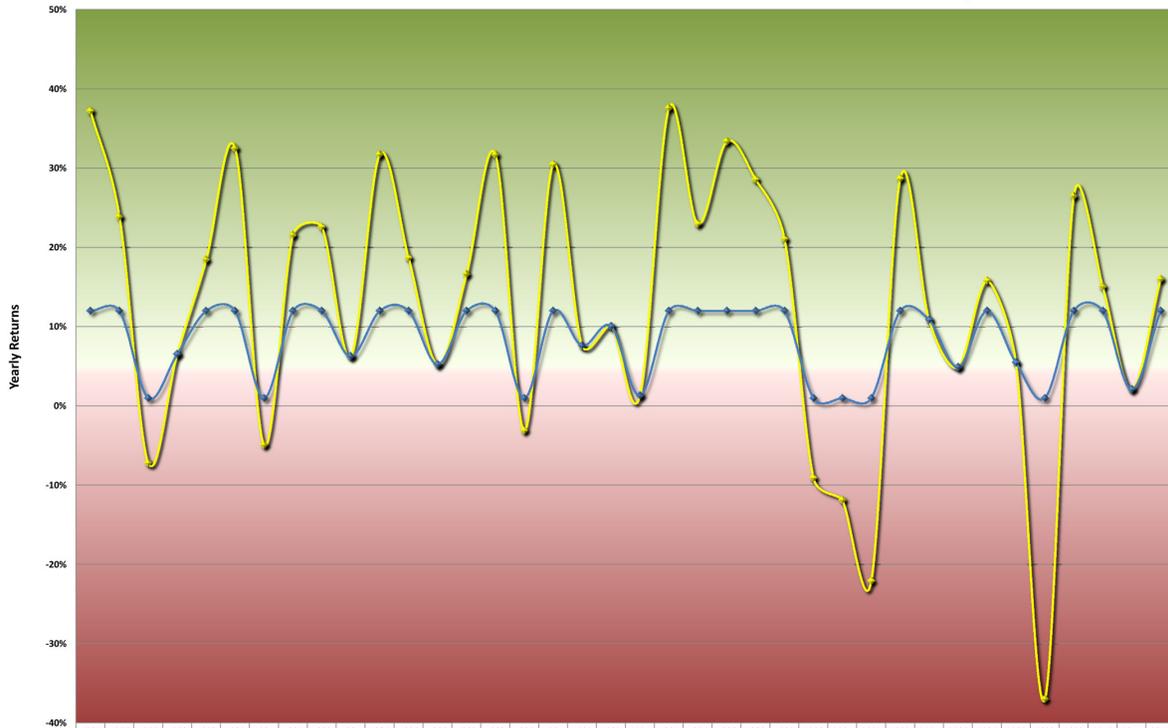
Table of Benefits to Family (Indexed Universal Life @ 6.35% And Investment (pre-tax 10.50%)

Year	Account Value With Distributions	Death Benefit PEP With Distributions
5	1,667,819	11,500,000
10	3,935,974	12,953,604
15	3,871,753	10,412,734
20	3,784,415	8,720,070
25	3,665,641	6,559,753
(Age 87 Life Expectancy)	2,378,549	3,841,383
95	1,275,500	5,217,542
100	0	8,268,469

*The death benefit is reduced in the 12th year to enhance tax free cash distributions; the client has control of deciding the balance between the amount of the death benefit reduction and the cash distributions.

Protected Equity: Down Side Protection

S & P 500 Index Historical Returns vs Index UL with Guaranteed 1% Minimum and 12% Cap 1975 - 2012



1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
S&P 500	37.20	23.84	-7.18	6.56%	18.44	32.50	-4.92	21.55	22.56	6.27%	31.73	18.67	5.25%	16.61	31.69	-3.11	30.47	7.62%	10.08	1.32%	37.58	22.96	33.36	28.58	21.04	-9.11	-11.8	-22.1	28.68	10.88	4.91%	15.79	5.49%	-37.0	26.46	15.06	2.11%	16.00
Index UL	12.00	12.00	1.00%	6.56%	12.00	12.00	1.00%	12.00	12.00	6.27%	12.00	12.00	5.25%	12.00	12.00	1.00%	12.00	7.62%	10.08	1.32%	12.00	12.00	12.00	12.00	12.00	1.00%	1.00%	1.00%	12.00	10.88	4.91%	12.00	5.49%	1.00%	12.00	12.00	2.11%	12.00

	3 Years	5 Years	7 Years	10 Years	15 Years	
Index UL Best Case Scenario	12.00%	12.00%	10.22%	9.65%	9.68%	} 1975 - 2012 Average: 8.41%
	1995-1997	1995-1999	1993-1999	1980-1989	1985-1999	
	1996-1998			1982-1991		
	1997-1999					
Index UL Worst Case Scenario	1.00%	5.18%	6.11%	6.13%	7.37%	
	2000-2002	2000-2004	1999-2005 2000-2006	1999-2008 2000-2009	1994-2008 1995-2009	



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