

# The STAR Plan

Participant Overview

## Strategic Talent Appreciation and Recognition

An institutionally insured longevity based Total Cash Management strategy.

STAR participants ... people just like you



# STAR Participant Overview

## About this booklet

This booklet is designed to answer some common questions about The STAR Plan featuring investment oriented institutionally priced life insurance (ILI). It is not intended to provide a detailed description of the program and the coverage.

This booklet contains information and illustrations of sample ILI and other financial structures. This information is for educational purposes only.

STAR comparative analytics are compliant with FINRA Rule 2210(d)(4)(C) illustrating mathematical principles of taxable and tax-deferred structures.

Stocks, mutual funds and variable products are not suitable for all investors. Before making any purchases you should carefully read the prospectus and prospectuses for the underlying investment portfolio of variable products and other information about the investment company. In addition to carefully reviewing the prospectus you are advised to consider carefully the investment objectives, risks, charges and expenses of the investment before investing.

## Valley View Consultants, Inc. (VVC)

Valley View Consultants, Inc. is an administrator of institutionally priced life insurance programs. We also provide financial modeling of different types of investment structures so policyholders can prudently assess the role their insurance plays in their overall Total Cash Management.

Valley View Consultants, Inc. is paid by the insurance company to provide specialized and independent services and consultation to their policyholders.

The STAR Plan is a VVC sponsored institutional life insurance Total Cash Management and Personal Parity Restoration strategy available to ILI qualifying employees, affluent individuals and trustees.

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Please feel free to email us your questions or policy service needs.

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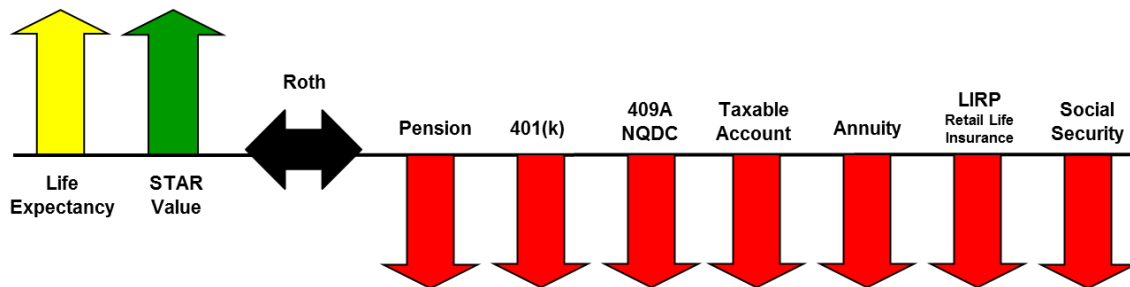
# STAR Participant Overview

## The STAR Plan Value Proposition

We live in a longevity driven world.

The longer we live:

- The greater the cost of social benefits and need for Washington to increase tax revenue - decreasing the spendable value of tax base investment structures and social benefits.
- The lower the cost of life insurance – increasing the spendable value of life insurance based alternatives.



In 2002 we crossed a value line:

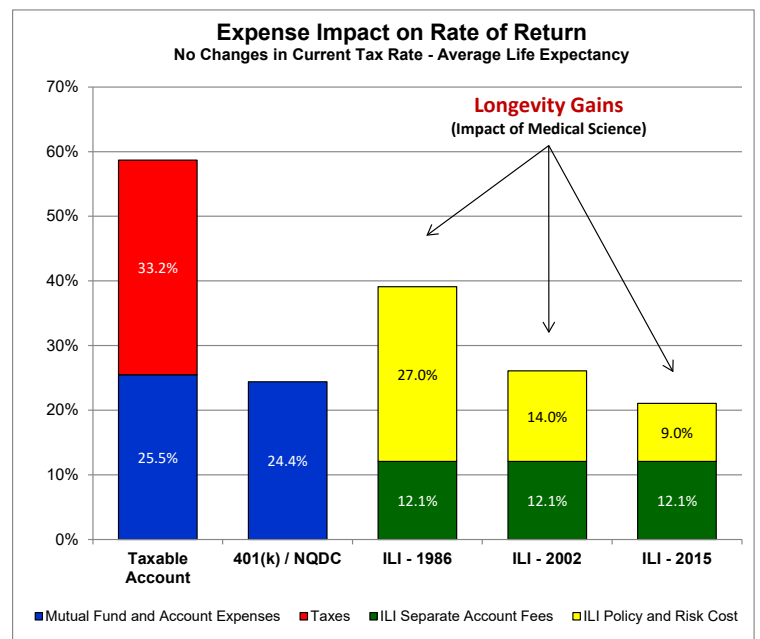
- Higher compensated employees (HCE's) as a risk class were living so long, reducing Institutional Life Insurance risk costs so low, that the total cost of investing through the ILI structure was equal to or less than investing in the same or comparable funds in taxable or non-taxable alternatives.
- The longer successful individuals live, the lower the cost of longevity driven investing.
- Valley View Consultants, Inc. created The STAR Plan pioneering individual access to Institutional Life Insurance – direct access to the ILI value for the individuals that made the ILI value ... possible.

Medical science is helping successful individuals live so long that Institutional Life Insurance has evolved into the more cost-efficient and tax-efficient investment management structure for life.

Result - More accessible cash for life's needs plus financial protection.

And as medical science helps us live even longer – the ILI structure financial advantage will increase even more.

**The STAR Plan is designed for successful individuals and trustees that understand today's "Economics of Longevity".**



# STAR Participant Overview

## STAR Objectives - Growth, Security and Legacy

The STAR Plan (Strategic Talent Appreciation and Recognition) is an Institutionally-priced Life Insurance (ILI) funded Total Cash Management strategy for ILI qualifying employees and affluent individuals.

- More efficient investment management structure for saving outside a 401(k) or IRA.
- Additional financial protection – terminal illness and death.

Institutional Life Insurance was created in 1986 for corporate cash and risk management purposes ... a more cost efficient investment alternative by restricting the insured's to those expected to live the longest with the added value of life insurance protection.

Institutional Life Insurance					
Retail Life Insurance – Employee Benefits – Personal Financial Planning					
Capitalist	Upper Middle	Lower Middle	Working	Working Poor	Underclass

**Academic Class**

### Why do CFO's invest through the ILI structure?

- ILI separate account portfolio (fund) fees average 35%-65% less than direct fund investment fees.
- ILI policy costs less than investment transaction fees and taxes.

Result – A lower total cost of investing than taxable or tax-deferred alternatives. “(A+B) < C”

The STAR Plan was created in 2002 pioneering the ability to ILI qualifying employees to access and control ILI for their personal lifelong Total Cash Management.



# STAR Participant Overview

## What are the key features of The STAR Plan?

The STAR Plan is an IRC §7702 based investment management alternative.

- You own the policy.
- You control the timing and amount of your contributions.
- You control the policy's management, beneficiary designations and separate account allocations.
- There are no penalties or change in pricing when you leave your employer ... a lifelong institutionally priced value for you.
- Cash values grow tax-deferred and can be accessed income tax free through proper policy management.
- This program projects greater benefits to you and your heirs than other types of cash accumulation alternatives because today we live so long that the resulting total cost of ILI (policy costs and fund fees) is much less than the total cost of other alternatives.

## What are the key participant responsibilities?

ILI is designed for maximum contributions – minimum financial protection and costs.

- Maximize your contribution capacity.
- Keep VVC informed of any employment or personal changes.
- Keep VVC informed of your changing planning objectives during life so we can advise you of your STAR management options.

## What is Valley View Consultants' role?

We are your one-stop administrative resource.

- Policy pricing discounts incorporate external TPA policy management.
- Investment and policy reporting, and comparative analytics.
- Billing and payment coordination.

**A lower cost cash management *structure* resulting in greater cash value for your life needs and lifelong financial protection for your family.**

# STAR Participant Overview

## Questions

The most common questions concerning The STAR Plan.

### How does The STAR Plan work?

- Your career and life achievement qualifies you to participate in this special cash accumulation, life insurance and career recognition plan. Participation is conditional upon your cooperation to be insured under a special institutional life insurance policy that you will own.
- You will be provided a STAR “What if I knew?” analysis comparing The STAR Plan to other investment management structures utilizing comparable financial assumptions.
- You will designate the annual maximum contribution capacity for your plan.
- You may select the ILI issuer for your STAR strategy.
- You are provided a prospectus describing the policy and separate account features of the recommended institutional life insurance policy.
- The amount of death benefit is the minimum legislatively required based upon your contribution capacity, enrollment age and sex. The STAR objective is to maximize the cash value accumulation by minimizing the life insurance protection and its related cost.
- You will receive periodic reports from the life insurance company on policy features, separate account and policy performance.
- You have the choice of designating your own asset allocation, having VVC assist you in a customized allocation or following the CMW Allocation utilized by VVC’s ownership for their personal STAR strategy.
- You will receive a monthly Fund Performance email from Valley View Consultants, Inc. of the available separate accounts and a quarterly report summary of your asset allocation.
- Valley View Consultants, Inc. is your administrative contact for all information, policy administration and contribution processing. Our job is to help you maximize value based upon your individual needs.

### Who is eligible to participate in The STAR Plan?

STAR is available to healthy mid to upper income “white-collar” employees, affluent individuals and family members meeting the insurer’s income qualifications.

### How can The STAR Plan help me save taxes?

The earnings on policy cash values in excess of your cost basis grow tax deferred and are not subject to federal and state income tax unless you surrender the life insurance policy.

Life insurance death benefits are income tax free to beneficiaries, but may be subject to estate taxes to your estates under certain circumstances. Valley View Consultants, Inc. does not provide legal or tax advice.

### Is The STAR Plan an alternative to taxable investing?

Yes. Today institutional life insurance risk rates have less impact on investment gains than taxes. The result when properly funded is comparable or greater accessible cash as taxable fund investing ... plus financial protection in the event of terminal illness or death.

We all need to save outside the workplace and tax-qualified benefit plans. The STAR Plan is the more efficient investment management structure for this external lifelong Total Cash Management.

# STAR Participant Overview

## Is The STAR Plan intended to replace personal or company provided life insurance programs?

No. This is a separate program designed to help you maximize lifelong cash values while providing minimal amounts of life insurance protection.

## What if I need more financial protection?

Term insurance remains the most cost-efficient way to buy short-term protection. STAR's added protection reduces the amount of retail life insurance you need to "buy". The STAR Combo Plan combines ILI and ILI convertible retail term insurance – most efficient strategy for high protection needs.

## What happens when I leave my STAR facilitating employer?

Nothing. STAR is an external lifelong VVC sponsored strategy and you are the ILI policy owner.

## Is ILI different from what I could buy from a financial planner?

Significantly different. Institutional life insurance is a niche asset class and distribution is limited to professionally managed multi-life programs – employer sponsored executive benefits or TPA sponsored personal parity restoration plans.

- Not available in the retail financial planning marketplace.
- Retention priced vs. retail replacement priced life insurance.
- Segmented higher compensated individual risk pool vs. retail all insured's risk pool.
- Longevity driven – reduced costs as medical science helps us live longer than we do today.
- An IRC §7702 based investment alternative priced for those expected to live.

VVC does not permit retail priced life insurance products in The STAR Plan.

## How is STAR different for men vs. women?

Because women are expected to live longer than men and have lower costs ... women financially "win" more.

- Comparable cash accumulation between men and women.
- More death benefit protection per \$1 of contribution capacity than men.
- Greater total value – lifelong cash benefits plus death benefits.

## How is STAR different for older or younger individuals?

- Comparable cash accumulation.
- Amount of initial financial protection is less for older individuals.

## How soon can I access my cash?

Immediately for whatever the need.

## How often can I change my asset allocation?

As often as you want. Most issuers charge a transaction fee after the first twelve reallocations in a policy year.



# STAR Participant Overview

## What happens when I retire?

You have complete management flexibility. You can:

- Do nothing. Continue to manage the policy however you want.
- Withdraw or borrow cash values.
- Exchange tax free (IRC §1035) some or all cash values to an annuity.
- Collateralize external financing for a retirement loan.
- Surrender the contract and pay ordinary income taxes on gains over basis.

You should consult Valley View Consultants, Inc. to fully understand your options and the consequences to your financial planning.

## What happens when I die?

The life insurance company will pay the death benefit proceeds to your designated beneficiary (ies) in the manner you specify.

## What happens if I become terminally ill?

Life insurance cash values are available to you at any time. Some ILI policies permit access to a portion of the death benefits if your physician predicts a 12-month or less life expectancy. Some financial institutions offer loans up to a portion of the death benefit if a 3-year or less life expectancy.

## What statements will I receive regarding my policy values?

You will receive quarterly statements from the insurer detailing premiums paid, expenses, cash values and death benefits. The insurer may offer on-line values and you may contact VVC any time and obtain policy values.

## How does The STAR Plan provide Personal Parity Restoration?

Successful individuals are limited in their ability to access or contribute to a 401(k) or Roth IRA.

The STAR Plan provides comparable or greater accessible cash value for life's needs plus:

- Financial protection the 401(k) or Roth don't have.
- Tax advantages not found in the 401(k) or Roth.
- Cash management options not available in the 401(k) or Roth.

Result – comparable or greater personal value than the 401(k) or Roth IRA – Personal Parity Restoration.

## How is The STAR Plan a CEO "courtesy"?

- Employers understand the impact of Washington's plan caps and taxes on successful individuals.
- The STAR Plan is the ideal planning complement to employee benefit plans.
- Greater participant options and value when TPA sponsored than employer sponsored.
- Most effective way for employers to address HCE class discrimination is to not sponsor another employee benefit plan, but to respect HCE class achievement and assist in STAR awareness as a courtesy.

# STAR Participant Overview

## Why does The STAR Plan require a medical exam?

In 2008 guaranteed issue risk rates increased significantly.

- A great deal for the 10% of HCEs that are uninsurable – significant cost for the 90%.
- Guaranteed issue rates impact the average STAR participant over \$120,000 by average life expectancy.

The STAR Plan is a financial “health club”. Those that qualify for the best risk rates get the greatest value.

## Why is The STAR Plan funded with institutional life insurance?

Life insurance has evolved into a very sophisticated financial product.

Institutionally-priced Life Insurance utilizes the IRC §7702 pricing and tax structure in a manner that is designed specifically as an investment management alternative for successful individuals – those expected to live the longest.

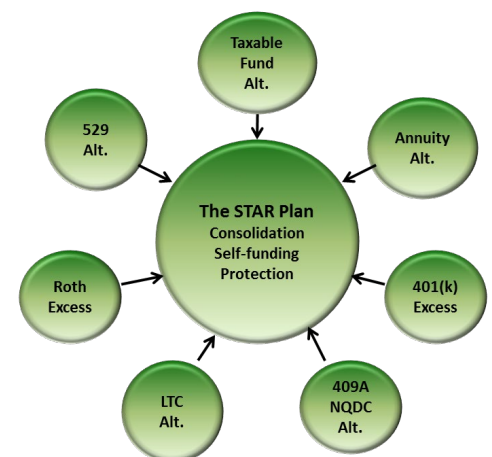
- The policy death benefit provides your heirs an increased value income tax-free at the most disruptive time of their lives.
- The policy offers a broad array of no-load separate accounts from leading fund companies to provide you a vast array of investment allocation alternatives and tax-free reallocation.
- Because this is life insurance, cash values grow tax-deferred and can be accessed tax-advantaged as long as the policy remains in-force.
- Because this is life insurance there are multiple tax, planning and creditor preferences.
- Because the objective is to maximize cash accumulation the death benefit protection is managed to the lowest level possible in order to minimize expenses.
- Depending upon your income and tax management, the cost of insurance in this policy could be significantly less than your taxes on the growth of a taxable vehicle or the taxes from a tax-deferred vehicle.

The ability to cost-shift from taxes to the lower potential cost of ILI is why STAR offers you the opportunity to create greater cash, greater tax-free spendable income and income tax-free death benefits for your heirs.

## How are participants utilizing The STAR Plan?

A non-qualified asset consolidation alternative to the multi-bucket personal financial planning model.

- For compensation in excess of employers’ 401(k) match limit.
- A Roth alternative.
- A 529 Plan alternative for children’s education.
- Nonqualified deferred compensation (409A) alternative or complement.
- A 409A distribution and life-after-career cash management.
- Pre-funding long-term medical care risks.
- Alternative to taxable fund investing.
- Longevity hedge.



**Today’s greatest financial risk is not “What if I die?”, but “What if I live?”**

# STAR Participant Overview

## Benchmark Example – 8% Rate of Return

- Age 45 Married Male, \$10,000 Annual Contributions to Age 70. (\$250,000 total).
- \$150,000 total household income (IL).

How does The STAR Plan compare to accessing the save / comparable funds in either the Taxable Brokerage Account or 401(k) structures?

The following analysis utilizes the same financial assumptions and comparable funds. The objective is to illustrate net cash flows and accessible cash with "structure" being the only variable.

Accumulation	Taxable Account	401(k) Benchmark	The STAR Plan		
	Balance	Accessible Cash	Accessible Cash	Terminal Illness	Death Benefit
Year 1	\$10,026	\$9,076	\$10,008	\$197,508	\$259,271
Year 5	\$54,848	\$46,588	\$52,444	\$239,944	\$302,716
Year 10	\$122,367	\$109,385	\$124,258	\$311,758	\$376,954
Yr 25 Age 70	\$432,930	\$493,665	\$550,942	\$621,067	\$677,881
Yr 42 Age 87 LE	\$874,051	\$1,368,229	\$1,663,158	\$1,731,415	\$1,911,184
Yr 55 Age 100	\$1,495,597	\$2,983,419	\$3,908,492	\$3,908,492	\$4,314,992

Assumes \$10,000 after-tax equivalent (\$14,925 pre-tax 401(k) Benchmark value assuming a 33.00% marginal tax rate) annual contributions for 25 years, 8.00% market return before fees, taxes and ILI expenses, and age 87 average life expectancy.

	Taxable Account	401(k) Benchmark	The STAR Plan
Initial Cash Flow	\$14,839	\$30,405	\$35,414
Cumulative Cash Flow	\$347,442	\$711,921	\$829,210
Net Values to Heirs	\$373,399	\$453,356	\$663,627
<b>Total Economic Value</b>	<b>\$720,841</b>	<b>\$1,165,277</b>	<b>\$1,492,838</b>

Optional "spendable" cash flow management.

A 3.00% inflation protected cash flow, age 70 through age 100, \$75,000 minimum residual value through age 100. Values through age 87.

### STAR illustrates greater value because:

ILI separate account (fund) fees (green box) have less impact on investment gain than retail funds (blue box).

ILI policy and protection costs (yellow box) have less impact on investment gains than the cost of taxes (red box).

STAR offers lifelong cash management options not available in tax-qualified plans or taxable accounts.

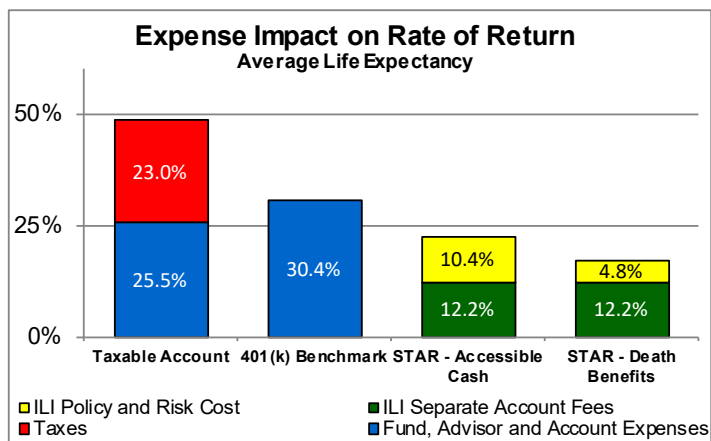
ILI utilizes a longevity driven pricing structure - as medical science extends HCE life expectancy, risk cost reductions typically are passed through to the ILI class participants.

### Investment "Drag" Summary

48.5% of your investment gains to transaction fees, mutual fund fees and taxes ... In a Taxable Account.

30.4% of your investment gains to transaction fees, mutual fund fees and taxes ... In a 401(k) Benchmark.

17.0% to 22.6% of your investment gains to ILI separate account and policy fees ... In The STAR Plan.



**The STAR Plan is designed to maximize accessible cash for life's needs by minimizing the near-term life insurance protection and its costs.**

This example utilizes illustrated values from a STAR member issuer. This is not an offer to purchase any products—merely a demonstration of representative value.

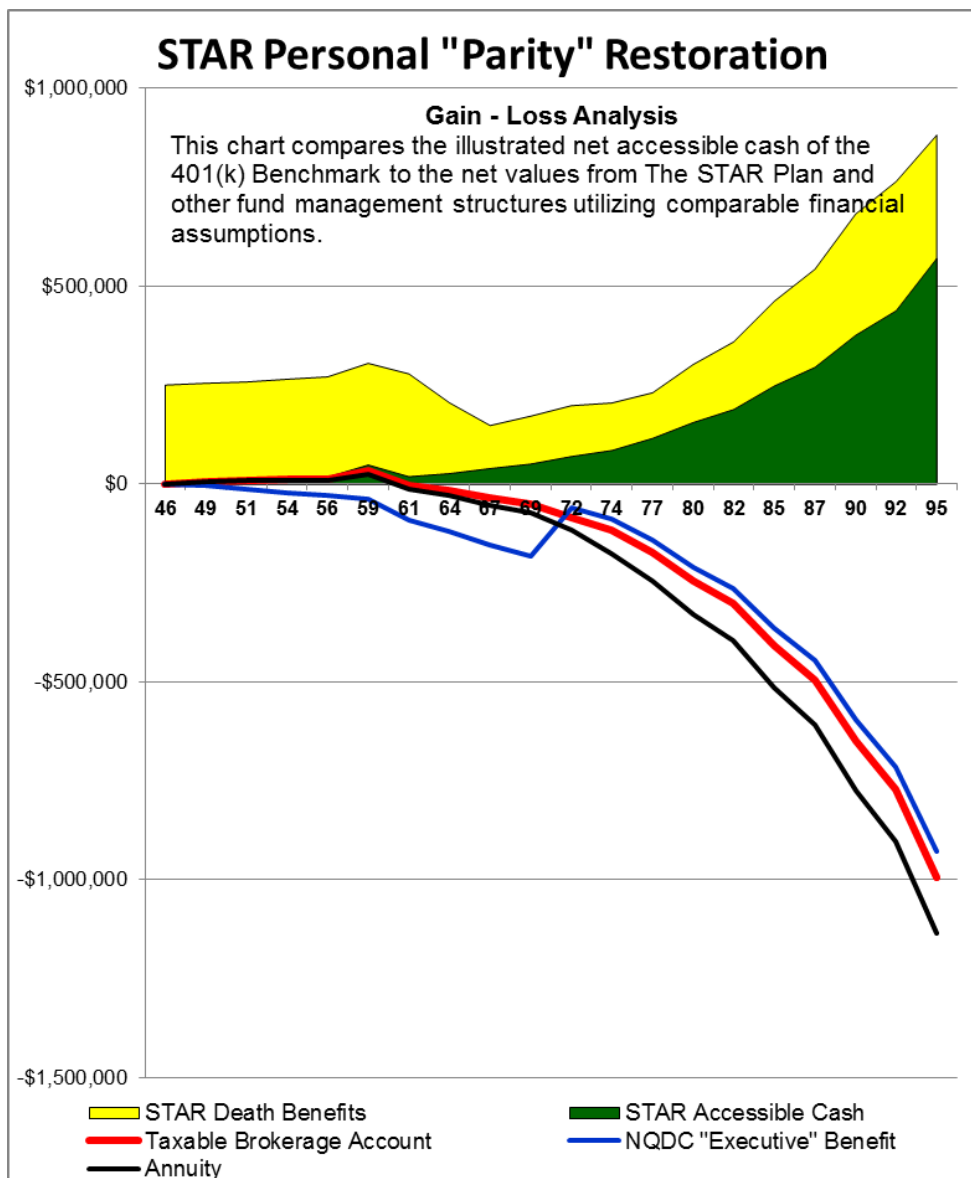
# STAR Participant Overview

## STAR Personal Parity Restoration

The 401(k) has been the personal value benchmark alternatives have been compared to for the past thirty years – planning gain or loss compared the 401(k).

- Employers and financial planners were helpless to combat Washington's financial discrimination against successful individuals.
- Medical science and The STAR Plan changed that in 2002.

Today, Personal Parity Restoration is an individual choice.



**Congratulations on your career and life achievement.**

**We appreciate the opportunity to serve you and your family.**