

## Thinking Past Your Renewals – In the Form of Equity

One of the best ways to achieve personal wealth is through the creation of equity, also known as ownership. You can spend your life working for money or have money work for you. Even the most prominent, hard working physician or attorney eventually runs out of hours in the day. The same applies to the most prominent long term care producer.

At LTC Financial Partners, we have a better way. We prefer to have an approach where a partner's individual equity in the partnership has the opportunity to grow – above and beyond future renewal revenues. We prefer to work smarter, not harder, for our ultimate financial security. We prefer to have our money work for us.

We realize, however, that we must be strategic in helping our partners realize their full potential in order to reach the equity rich goals we all share. Creating a learning environment that focuses on a team approach, achieving results, professional development, personal growth, financial strength, and the sharing of rewards keeps us focused on our ultimate goal.

Income based on renewals has been the key revenue stream for most producers. Your financial success will experience an inevitable decline if renewals are the only income stream considered. Equity provides an important financial growth opportunity that complements renewal revenues.

Like renewals, equity ownership can fuel an income stream that continues long after selling ends. Unlike renewals, dividend income from your equity interest has the potential to increase significantly over time.

Renewals and equity work together! By themselves, renewals follow a cycle of diminishing returns. Equity dramatically enhances the value of renewals and has the potential to dramatically expand a lifetime income stream for the producer. An additional plus is the higher commission structure for producers who are able to take full advantage of what LTC Financial Partners offers.

By setting high sales goals and meeting them, the producer has the opportunity to increase shares in the overall equity stake. Most insurance companies reward hard work and successful goal achievement with a pat on the back. LTC Financial Partners rewards it with an increased stake in the company.

How is the equity distributed? Producers receive 25 share grants per \$1,000 placed premium. The more production, the greater number of share grants, the greater the equity stake in the company. A key advantage to the producer is the distribution of excess profits to the owners.



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## Doing the Math

The equity in your home works for you. Your equity in the partnership can work for you exponentially. Here's how...

- \$1,000 placed premium = 25 share grants.
- If you place \$250,000 for four years = \$1 million book of business.
- You end up with 25,000 share grants.

From the Full Partnership Perspective –

- If we had at least 400 partners in five years, averaging \$150,000 placed annually.
- It would be possible to place in year five = \$60 million.
- Total book would be \$200 million (total of first five years).
- Remember, equity is directly related to the partnership's book of business!

Potential for Profit for the Partnership in the Year 2010 –

- After all expenses (renewals to producing partners, first year commissions, office expenses, etc.) profit could be greater than \$23 million.

- Potential first year annualized production @ 10% = \$6 million
- Potential renewals @ 7% = \$14 million

Total potential profit = \$20 million

- If distributed, a potential profit of \$20 million divided by the number of shares issued (~13.3 million) = approximately \$1.50 per share. Most likely we will not have distributed all of the shares which makes the dollars per share even higher.

Profit to You – At year five, your original 25,000 shares now show a profit per share of \$1.50 for a total value of \$37,500 payout plus your renewals at approximately \$60,000.

Share Value for the Long Term – Financial services businesses like ours are typically valued at 8-12 times pre-tax earnings. Assuming a ratio of 10 would result in an approximate share price of \$15 (10 x \$1.50). Why the increase? Share value is based on the book of business in hand and other factors, including perception of value. This is where the power of combining renewals and equity can provide exponential growth in value.



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