

Valley View Consultants, Inc.

Retirement self-reliance for individuals caught in the middle.

The STAR Plan 2020 Report to Participants

In 2002 VVC pioneered the ability of highly compensated employees to personally purchase an institutionally priced life insurance (ILI) policy through a third-party sponsored and administered plan as:

- An alternative to taxable fund investing for personal financial planning.
- A secure after-tax alternative to unsecure nonqualified deferred compensation.
- A flexible management structure that can be managed for cash accumulation or protection purposes.

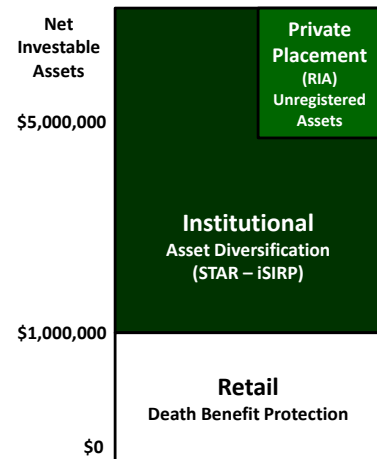
Since 2002:

- 2002 – 2008 – The STAR Plan access was limited to employer-facilitated programs.
- 2009 – today – The STAR Plan is available to anyone that can demonstrate they are white-collar and an accredited investor (earning \$200,000 (\$300,000 husband and spouse) or \$1 million net investable assets).
- 2016 – VVC partners with Winged Foot Partners, LLC (WFP) to provide case design, enrollment and plan administration services for its iSIRP program (individual Supplemental Insurance Recognition Program).
- 2018 – Pacific Life approves WFP for exclusive distribution of their ILI policy to accredited investors and Registered Investment Advisors (RIA).

Today:

- New York Life, Voya and John Hancock continue to serve their STAR participants, but no longer allow individuals to own an ILI policy.
- Pacific Life is the VVC-WFP new policy issuer option.
- ILI products have a minimum initial / annual contribution of \$25,000.

Other ILI issuers are in negotiation with WFP to similarly support of fee-based investment advisors with this no-commission investment alternative.



Why do High Net Worth individuals fund invest through ILI?

Exact same reason why you enrolled in The STAR Plan – Lower cost of lifelong fund investing.

When funded to the maximize contribution capacity:

- ILI insurance costs impact investment gains an average of 5%-7% - significantly less than the 30%-45% total cost-of-taxes investing in the same fund objectives in a Taxable Brokerage Account.
- Longer you live, the lower the comparative cost-of-insurance – more effective non-qualified investment container for those that expect to live.

A more suitable investment, cash, tax and risk management container for those expected to live the longest.

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STAR vs. Taxable Investing Example

- Assume a STAR participant with \$250,000 of Account Value, \$834,168 Death Benefit.
- Assuming an 8.00% market return, I'm comparing the 2020 policy costs to Taxable Fund Investing at different total costs of investing (Income tax / Capital Gains blend + Medicare Tax + State Tax).

Death Benefit	Account Value	8.00% Market Gain	2020 Policy Costs	20% Tax	27.5% Tax	35% Tax
\$834,168	\$250,000	\$20,000	\$2,899	\$4,000	\$5,500	\$7,000
The STAR Plan Investment Cost Savings				\$1,101 28%	\$2,601 47%	\$4,101 59%
Incremental Cost for \$566,988 added Protection				\$0	\$0	\$0

- 2020 STAR Policy Costs illustrate 28% to 59% cost saving ... and will increase more as he ages.
- The \$566,988 in added financial protection have \$0 incremental costs compared to taxable investing.

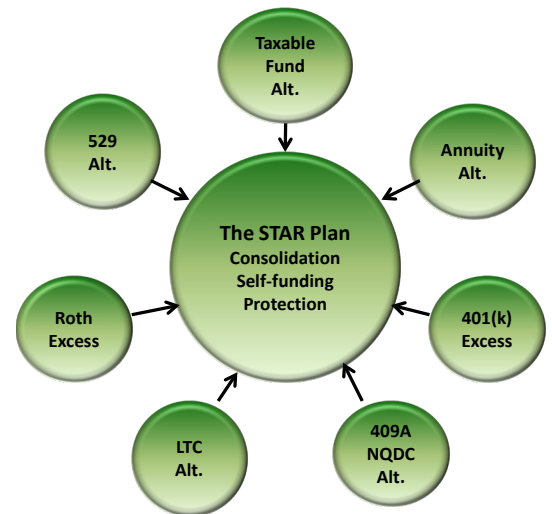
This simple math – Institutional risk rates cost less than taxes - is why STAR is the more efficient alternative for non-qualified fund investing.

STAR Objectives:

Institutionally-priced life insurance:

- Addresses the supplemental savings needs of individuals that have maxxed-out their Roth IRA / 401(k) capacity.
- Executive Benefits distribution management container.
- Self-funding older age medical risks rather than buy retail products priced for a very different socio-economic class.
- Creditor Protection and College Planning Preferences.

The STAR Plan offers lower costs and greater planning utility than Taxable Brokerage Accounts and NQ Annuities.



STAR Participant Policy Management:

- **Those maximizing their STAR contribution capacity** – Their STAR policy is the more efficient fund investment, cash, tax and risk management container outside their tax-qualified accounts.
- **Those minimizing their STAR contribution capacity** – Their STAR policy is serving as an alternative to a term insurance policy for the death benefit protection – risk of policy lapse if the contributions plus investment returns are not sufficient to cover monthly insurance costs.

Most STAR policies were issued with a \$500 to \$5,000 monthly contribution capacity for 7 years.

Unlike a tax-qualified plan, unused contribution capacity rolls forward and can be used anytime.

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Participants that have not utilized their contribution capacity should consider:

- If fund investing in a Taxable Brokerage Account – utilize your unused STAR contribution capacity and replicate those fund objectives in your policy.
- If using your policy as a term insurance protection alternative – identify how long you want the protection to last and email us so we can run an in-force illustration and advise.
- If you have retired and ceased contributions – contact us so we can run in-force illustrations to review your policy management options.

Your policy offers significant management flexibility. Please keep us informed of your evolving objectives so we can advise you of your options.

STAR Investment Management:

Your STAR policy offers access to a diverse fund investment portfolio at institutional fund fees.

- CMW Allocation – Option to follow what my allocation advisor is recommending to me for my personal STAR policy. As new allocations are created Participants must email us to update their policy.
- Participant Directed – Individuals can choose their allocation or utilize the recommendations from their investment advisors.

2020 Returns		Current CMW Allocation			
S&P 500 Total Return	CMW Allocation Benchmark	John Hancock	New York Life	Pacific Life	Voya
31.49%	18.17%	21.40%	20.55%	24.52%	24.57%

Volatility vs Recession – The extreme politics of Washington, partisan news agencies and computer algorithms controlling 85% of market trading have induced a high level volatility in the markets. But most 2020 market forecast article is stating that (1) volatility will continue, (2) economic fundamentals are strong (3) another recession or even the “Grand Reset” is inevitable, but not on the radar screen at this time.

There are no plans to alter the current CMW Allocation. July remains our annual re-evaluation period.

Participant Lifelong Perspective – Your STAR investment risk perspective should be lifelong as opposed to a retirement account risk perspective that should become more conservative as you approach retirement.

STAR’s primary role is to continue to stay invested in the market and serve as a cash reserve should you live longer than expected. Hence – your target age to move more conservative is age 80 or longer depending upon pace of medical advancements extending longevity.

STAR vs Retail Policy Offerings:

Institutional life insurance utilizes a different pricing structure than a retail policy – what is referred to as institutional “retention” vs. retail “replacement” based pricing.

- **Retention** – Limited to highly compensated white-collar risks. Policy costs are typically reduced as white-collar mortality tables extend expected life expectancy. Issuer manages down policy costs to incent retention. Issuer makes its profit from the M&A assets under management fee.

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- **Replacement** – General purpose policies available to all risks. Policy costs are maintained to make new policies more attractive to incent policy replacement. Issuer makes its profit from higher costs, 10-20 year surrender charges and not paying a death benefit.

You own a level of pricing structure that is not available in the retail marketplace and should be retained and managed to maximize your lifelong non-qualified fund investment objectives.

Additionally – The retail life insurance marketplace has turned to new policy offerings that offer health tracking or indexed offerings that behind the scenes have significant cost and management risks – greater management and sustainability risks than your STAR policy or any institutional policy.

The STAR Plan has a more structurally suitable pricing structure than retail offerings for current participants or those that need an additional STAR policy to address additional contribution capacity needs.

Summary:

VVC was created in 2002 to provide employers and executives a more efficient and more effective alternative to unsecured non-qualified executive benefits – personal access to the same institutionally-priced life insurance products corporate America utilize as alternative fund investment and tax management containers.

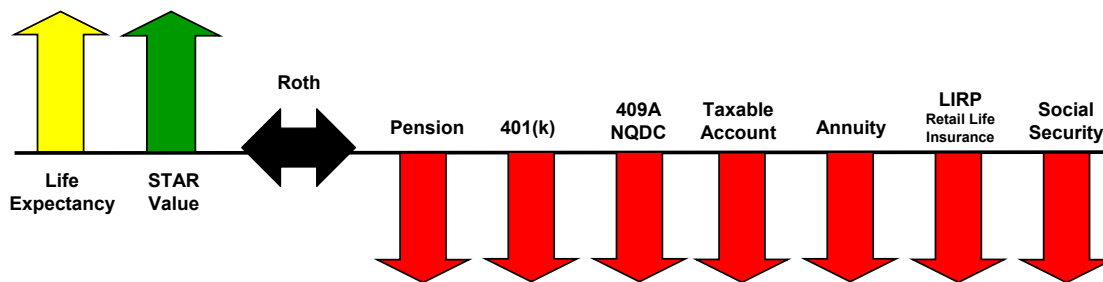
- The policy pricing has met or exceeded expectations.
- Those that funded their policies as planned have financially exceeded as-sold illustration values.
- The policies have provided the management flexibility needed to address changing participant needs.
- Markets have changed, issuer offerings have changed, but STAR objectives have remained.

The STAR Plan was created in 2002 because we were finally living in a world where healthy highly compensated individuals were living so long that institutionally-priced life insurance had evolved into the more efficient tax structure for fund investing outside a tax-qualified benefit plan.

Since 2002 medical advancements have continued to extend executive & high net worth life expectancy making The STAR Plan even more valuable for current and new participants.

Economics of Longevity

Impact on relative consumer value if medical science continues to extend life expectancy.



As of 12/2018 Americans owned \$9.6 trillion of mutual funds in taxable structures outside retirement plans.

The STAR Plan and iSIRP are alternative fund management containers for healthy and wealthy individuals that are expected to live longer than others.

Thank you for your STAR participation.

Please contact me with any questions about STAR program objectives or your policy management options.

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