

Explanation of Cash Flow Analysis (available for any quote)

A cash flow analysis compares the true cost of financing with the return that can be generated on the retained working capital.

Without financing, clients pay the entire premium within 30 days of policy inception and lose the use of the money paid, in this case \$250,000, for nine months. With financing, clients retain cash as shown in the calculations below.

The example shown below is for illustration only and numbers will change depending on cost of funds and other factors.

Total Premium	\$250,000.00	
Down Payment	50,000.00	
Amount Financed	200,000.00	
*Finance Charge	3,642.10	
TOTAL OF PAYMENTS	\$203,642.10	(9 @ \$22,626.90)
<i>* For demonstration purposes only</i>		

Analysis of Cash Retained Every Month

Month	Cash Payment (Loss of use of cash each month is equal to full premium amount)	Financing (Loss of use of cash each month is equal to the down payment and each monthly installment)	Working Capital (Cash use retained each month by financing)
1	250,000	50,000.00	200,000.00
2	250,000	72,626.90	177,373.10
3	250,000	95,253.80	154,746.20
4	250,000	117,880.70	132,119.30
5	250,000	140,507.60	109,492.40
6	250,000	163,134.50	86,865.50
7	250,000	185,761.40	64,238.60
8	250,000	208,388.30	41,611.70
9	250,000	231,015.20	18,984.80
Total			985,431.60

Sum of Working Capital available each month	\$985,431.60	
Average Working Capital over term of loan	\$109,492.40	(985,431.60/9)
*3.50% Return on avg. retained cash	\$ 2,874.18	
Finance Charge	\$ 3,642.10	
*Less 35.25% Liability Rate	<1,283.84>	
After-tax cost of finance charge	\$ 2,358.26	

Final Net is Additional Income to Insured \$ 515.34
or After-Tax Cost of Financing if amount is negative.

*Example uses current prime rate (3.50%) as the return on money. If the client's after-tax return or tax liability differs from that used in this example, the cash flow may be customized with that specific rate.