

Keep your top talent and protect your business

A life insurance benefit for executive compensation

You want to reward your top people for their hard work and dedication. But how meaningful is a cash bonus when you could also provide enhanced financial protection for their family?



Consider offering key executives¹ an alternative to traditional cash compensation: **Employer-financed life insurance. This collateral assignment split-dollar strategy provides:**

An incentive to remain with the company

A pre-retirement death benefit to the executive's beneficiaries

A potential supplemental retirement benefit for the executive

Potential for cost recovery

Why is life insurance an ideal tool?

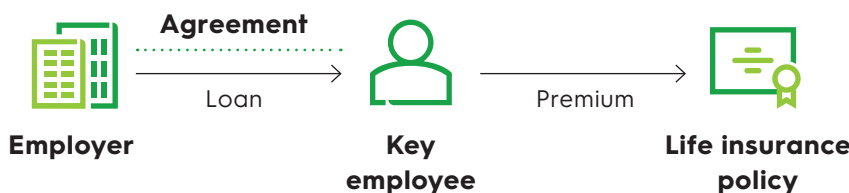
Permanent, cash value life insurance can be an excellent benefit to provide your key people while they are employed by you:

- The key employee owns and is insured by the policy, but the policy is assigned to your company as collateral
- The policy's cash value can grow tax-free
- The executive retains ownership of the policy and has access to the policy's cash value in retirement and after the loans are repaid

How does a collateral assignment split-dollar work?

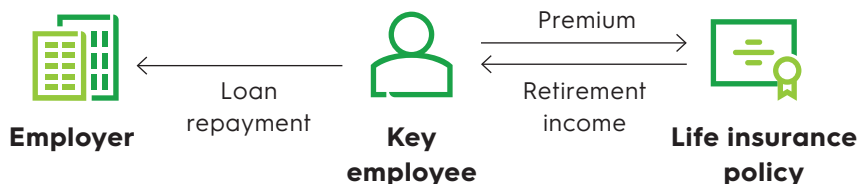
While executives work for you:

- They purchase a life insurance policy
- Working with a licensed attorney, you establish a split-dollar agreement that collaterally assigns a portion of the death benefit to your company
- Each executive owns the policy and pays the premium with a loan or series of loans from the company



When an executive leaves the company or retires:

- The arrangement is terminated
- Your company receives an amount equal to the premiums paid, plus interest
- The executive may retain the policy, continue to make premium payments and access the policy's cash value for potential supplemental retirement income



If the executive dies during the term of the loan, a portion of the policy's death benefit provides repayment to your company, and the executive's family receives the remaining death benefit amount.

Why use employer-financed life insurance?



Company benefits

Provide benefits to select employees
Potential cost recovery

Key employee benefits

Death benefit coverage while working
Potential supplemental retirement income

Why not use employer-financed life insurance?



Company considerations

Loans are not deductible
Requires drafting of legal split-dollar agreements by a licensed attorney
Split-dollar agreements may be subject to Internal Revenue Service (IRS) guidelines for non-qualified deferred compensation
Policy is ultimately owned by the executive

Key employee considerations

Must make annual interest payments on loaned premium or it will be considered taxable income
Life insurance cash value is assigned to the company while the collateral assignment split-dollar agreement is in place

Our products and services can help ensure the ongoing success and growth of your business



Learn more

Contact your financial professional to find out how you can retain your top talent with employer-financed life insurance.

1. Key employees must be either highly compensated employees or management.

Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

Life insurance products contain charges, such as Cost of Insurance Charge, Cash Extra Charge, and Additional Agreements Charge (which we refer to as mortality charges), and Premium Charge, Monthly Policy Charge, Policy Issue Charge, Transaction Charge, Index Segment Charge, and Surrender Charge (which we refer to as expense charges). These charges may increase over time, and these policies may contain restrictions, such as surrender periods. Policyholders could lose money in these products.

Policy loans and withdrawals may create an adverse tax result in the event of lapse or policy surrender, and will reduce both the surrender value and death benefit. Withdrawals may be subject to taxation with the first fifteen years of the contract. You should consult your tax advisor when considering taking a policy loan or withdrawal.

The policy design you choose may impact the tax status of your policy. If you pay too much premium your policy could become a modified endowment contract (MEC). Distributions from a MEC may be taxable and if the taxpayer is under the age of 59½ may also be subject to an additional 10% penalty tax.

This information is a general discussion of the relevant federal tax laws. It is not intended for, nor can it be used by any taxpayer for the purpose of avoiding federal tax penalties. Taxpayers should seek the advice of their own tax and legal advisors regarding any tax and legal issues applicable to their specific circumstances.

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