

BUSINESS INSURANCE SOLUTIONS

PROGRAM	OBJECTIVE	OWNER/ EMPLOYER ADVANTAGES	EMPLOYEE ADVANTAGES	PREMIUM PAYOR	POLICY OWNER/ BENEFICIARY	INCOME TAX IMPLICATIONS	ESTATE TAX CONSIDERATIONS	NOTES
KEY PERSON	Protection. Reimburses business for loss of valuable employee.	Income tax-free proceeds to offset financial loss and provide for training and replacement <ul style="list-style-type: none"> Assures financial stability Protects business credit 	Values can be used to fund salary continuation plan at retirement.	Business	Business is policy owner. Business is beneficiary.	Business: Premiums not deductible and proceeds not taxable Employee: no tax	Insurance can be included as part of corporation's estate value.	To determine value of key person: Use a multiple (8 to 10 times) of salary.
EXECUTIVE BONUS	Provide life insurance and tax favored cash accumulation benefits to retain key employee.	<ul style="list-style-type: none"> Selective Flexible Simple to install Tax-deductible premiums Provides valuable fringe benefit to key executive 	<ul style="list-style-type: none"> Attractive benefit and family protection at tax cost only Tax-deferred cash value Employee controls policy Plan can be self completing 	Business (through employee bonus). Businesses often "gross up" bonus to cover employee's taxes.	Employee is policy owner. Employee designates beneficiary.	Business: Premiums are deductible. Employee: Premiums are taxable. Death benefit is income tax-free.	Death benefit is included in employee's estate unless avoided through planning.	Another option to grossing up the bonus: Have executives take withdrawals from their policies to cover the amount of the taxes. executives take withdrawals from their policies to cover the amount of the taxes.
DEFERRED COMPENSATION	Retain select executive by providing salary continuation at retirement or deferring taxable income until retirement. Insurance values are used to informally fund retirement benefit.	<ul style="list-style-type: none"> Simple Selective Flexible Minimal administration Funding costs recoverable Attract and retain valuable employee 	<ul style="list-style-type: none"> Retirement income Premature death protection for family Salary reduction defers income tax, tax-deferred cash value accumulation 	Business. (Employee may make tax-deferred contributions.)	Business is policy owner. Business is beneficiary.	Business: Premiums not deductible, proceeds not taxable, and benefit payments deductible. Employee or family: Benefit payments taxed as income as received.	Present value of benefit included in employee's estate.	
SPLIT DOLLAR	Retain select employee by sharing premium expense of life insurance to provide needed oritrection on a cost-effective basis.	<ul style="list-style-type: none"> Attract and keep key employees Business recovers premiums paid Selective Simple Flexible Interest in policy carried as balance sheet asset 	<ul style="list-style-type: none"> Low-cost life insurance Income tax-free death benefit 	Business can pay all or any premium part. Employee pays balance. Business may bonus the term insurance cost to the employee	Business and key employee share rights and benefits.	Employer premium not deductible. Proceeds received not taxable to business or employee's beneficiary. Employee taxed on economic benefit if corporation pays all premium.	Proceeds included in employee's gross estate unless planning done to avoid.	



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Low Load Advantage: In Endorsement Split Dollar, the high immediate cash values provide for full collateralization of the premiums paid by the corporation. The high immediate cash values also allow for an earlier rollout of the corporation's contributions, which reduces the continuing cost of the economic benefit to the executive. In addition, with the immediate cash values, there is tremendous flexibility if cash flow situations were to change making the corporation unable to pay a premium. The entire plan is not jeopardized beginning the very first year.