

Business Planning Strategies

Utilizing Premium Financed Life Insurance



Business Planning Strategies



- **Leverage assets to create additional wealth.**
- **Catch up underfunded retirement plans.**
- **Create tax free supplemental income for owners.**
- **Create tax free supplemental income for key employees.***
- **Fund buy-sell agreements.**
- **Fund success plan strategies.**
- **Create business capitalization.**

***Distributions and death benefits may be taxable. Consult with your tax professional.**

How Premium Financing Works

- **PFLI is a strategy that allows some or all your life insurance premiums to be paid from a bank loan.**
- **Policy cash values collateralize most of the loan.**
- **Additional collateral can be required in beginning years for some plans.**
- **Additional collateral is released once cash values equal the loan balance***
- **Bank loan is either repaid from cash values or death benefits.**



*Number of years for cash values to fully collateralize bank loan will vary based on insurance costs, loan costs, and index performance.

Indexed Universal Life

IUL Foundation – Unique Tax Advantages and Principal Protection

Two Components - Tax Deferred Savings - Death Benefit

- Tax Deferred Savings
 - Tax deferred accumulation
 - Tax free distributions*
 - Market growth potential
 - Principal guaranteed against losses
- Death Benefit
 - Key Man death benefit for employer
 - Death benefit for employee heirs
 - Living benefits for employee



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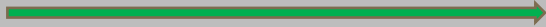
- **Critical Illness Benefit**
 - Heart Attack
 - Stroke
 - Cancer
 - Kidney failure
- **Chronic Illness Benefit**
 - Insured is unable to perform two out of six activities of daily living.
 - Insured has a severe cognitive impairment.
- **Terminal Illness Benefit**
 - Insured is diagnosed with an illness or chronic condition that is expected to result in death within 12 to 24 months.



*Benefits and definitions vary among carriers. Subject to state restrictions.

Traditional IUL – How It Works

Owner Paid Premium Payments



Cash Value Interest Payments



Income Distributions



COI and Expense Charges



- Annual Interest Credit Based on Selected Index Performance
- Cash Value Guaranteed From Losses

Death Benefit
Owner/Beneficiary

- Tax-Free Income Distributions Paid From Cash Value Policy Loans
- Loans Deducted From Death Benefit
- Remaining Death Benefit to Heirs

Buy-Sell Agreement Strategy



- Provides permanent life insurance.
- Provides cash value that can be used for a living ownership transfer.*
- Pre-determine who will purchase the business.
- Set the purchase price and terms.
- Create a smooth transition.
- Establish value for estate tax purposes.
- Guarantee funding when needed at death.
- Provide heirs liquidity and freedom from business responsibilities.

*Cash value amounts vary based on many factors including loan costs, interest rates and insurance costs.

Key-Man Executive Bonus Strategy

Benefit to Employee

- Supplemental Retirement Income
- Personal Permanent Life Insurance
- Living Benefits
- No Employee Contributions

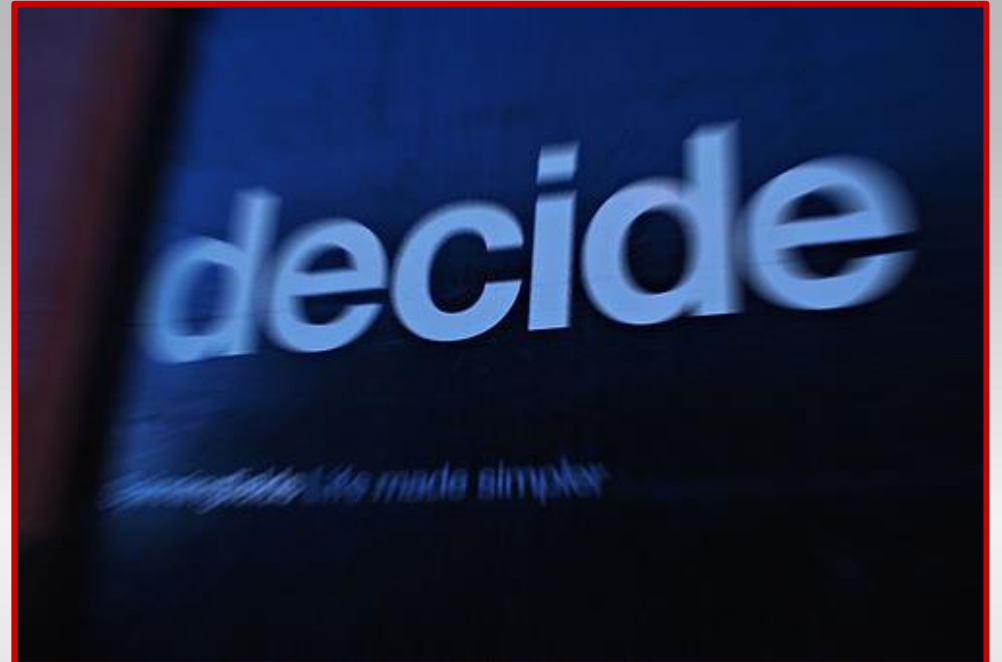
- Attracts New Employees
- Increases Employee Retention
- Protects the Company From Loss Due to Death of a Key Employee

Benefit to Business

You Have Complete Control

Key-Man Executive Bonus Plan

- You own the policy.
- You control the policy.
- You decide which employees are eligible for the program.
- You decide at what age the employee is fully vested.
- You decide when an employee is vested if disabled.



Key Man Plan

- **Design**
 - Benefits can be designed specifically for each participant.
 - Business is the owner and beneficiary.
 - Business owner can name employee heir as co-beneficiary.
- **Accumulation**
 - Employer makes non-deductible premium payments.
 - Employer contributions are not taxable to employee.
- **Distribution**
 - Benefit payments to employee are taxable.
 - Loans and withdrawals are taxed to the employer.
 - Benefit payments are deductible by company when paid out.
 - Death benefits taxable to employee beneficiary when paid out.
 - Employer may recover all costs.
 - Before policy is issued, insured must sign consent and be given written notice of the policy to obtain an income-tax-free death benefit to the business.



Nonqualified Deferred Compensation (NQDC) Plan

- **Design**

- Benefits can be designed specifically for each participant.
- Business is the Owner and Beneficiary.
- Business Owner can name employee heir as co-beneficiary.

- **Accumulation**

- Employer makes non-deductible premium payments.
- Employer contributions are not taxable to employee.

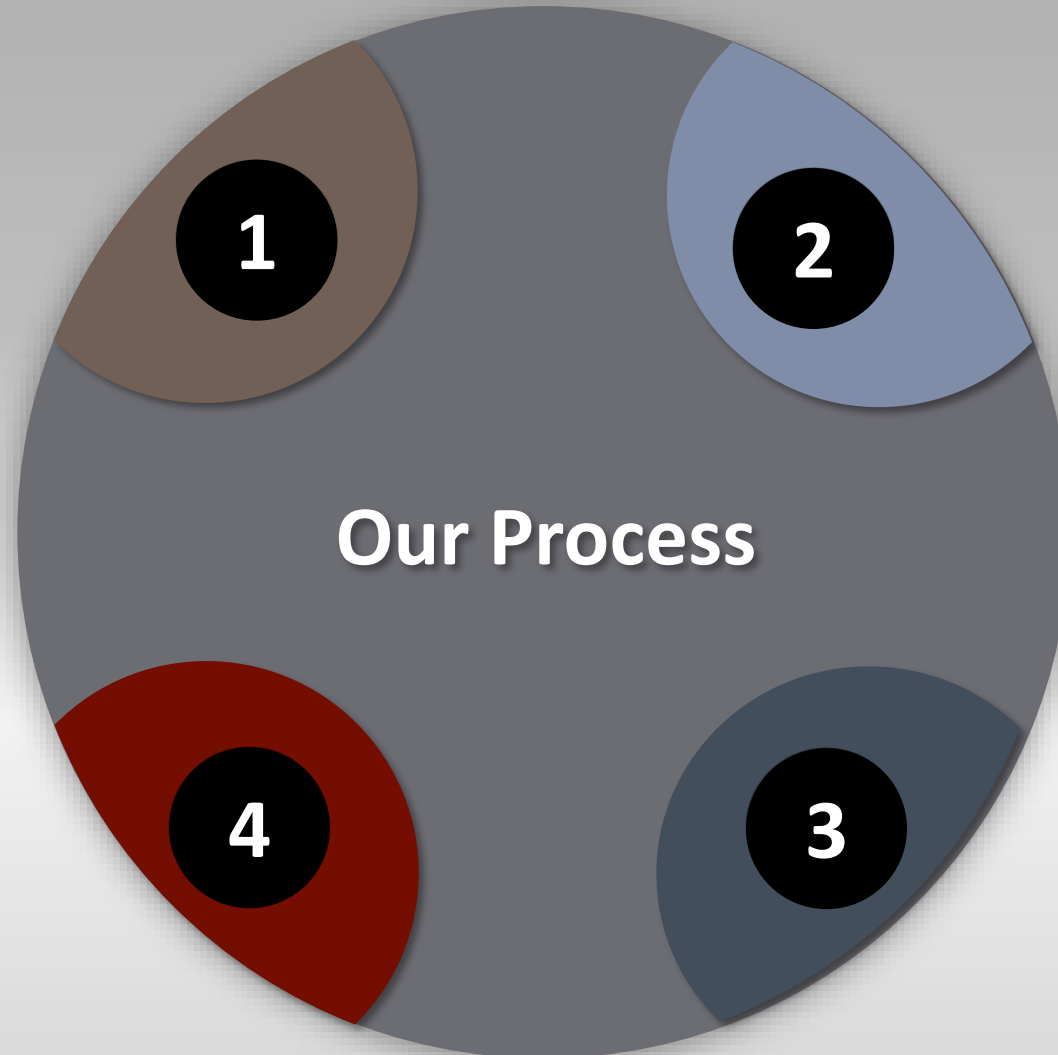
- **Distribution**

- Benefit payments to employee are taxable.
- Loans and withdrawals are taxed to the employer.
- Benefit payments are deductible by company when paid out.
- Death benefits taxable to employee beneficiary when paid out.
- Employer may recover all costs.
- Before policy is issued, insured must sign consent and be given written notice of the policy to obtain an income-tax-free death benefit to the business.



Restricted Executive Bonus Arrangement Plan

- **Design**
 - Employee owns the policy and designates the beneficiary.
 - The employee cannot access the available cash value without the employer's consent.
 - Employee can designate employer as beneficiary prior to vesting to cover employer costs.
- **Accumulation**
 - Business pays premium, or business pays cash to employee who pays premium.
 - Employer pays bonus to cover employee's tax.
 - Premium bonus is included in employee's taxable income.
 - Premium tax-deductible by business if overall compensation is reasonable.
- **Distribution**
 - Income-tax-free death benefit to employee beneficiaries.
 - Income-tax-free distributions to employee.



1. Plan Design

- Select Employees
- Determine Eligibility
- Design Benefits
- Select Carrier

2. Employee Engagement

- Educate Employees
- Complete Application

4. Program Management

- Conduct Annual Plan Review
- Manage Annual Payments

3. Plan Approval

- Complete Underwriting
- Receive Formal Offer
- Secure Employer Payment