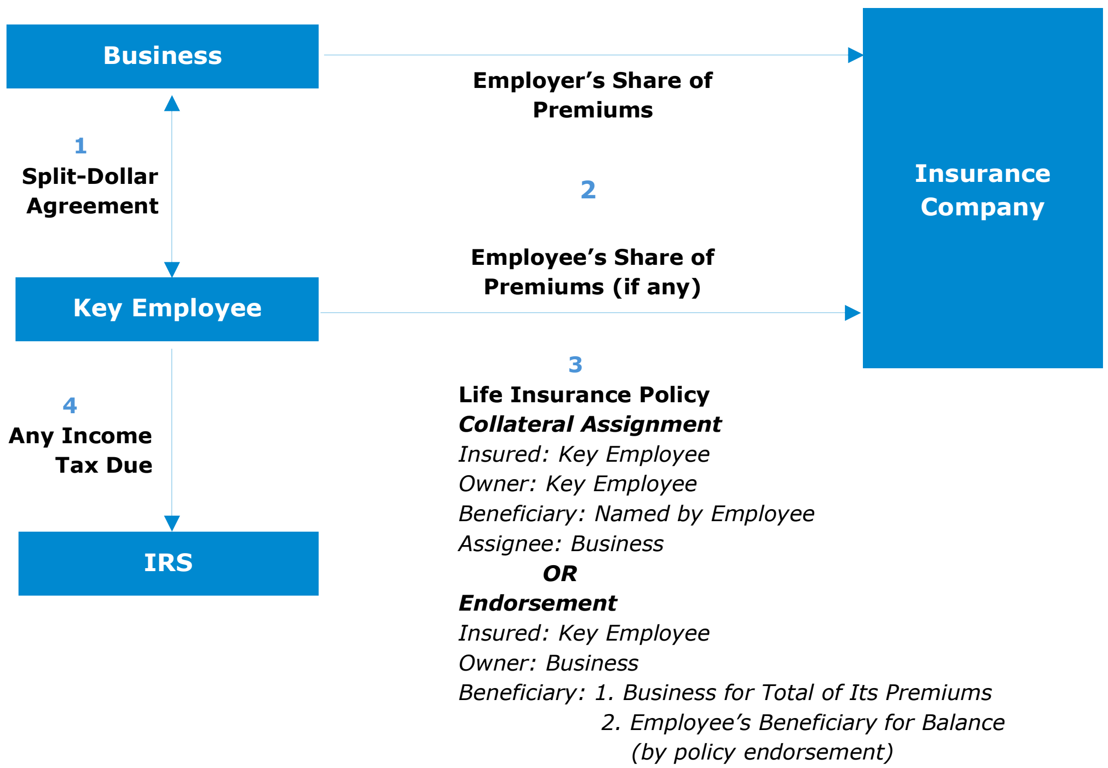
Business Split-Dollar Life Insurance Plan in Action

Here's how a split-dollar life insurance plan could work today...



1. The business enters into a split-dollar agreement with each selected employee. The agreement spells out the rights and responsibilities of each party.

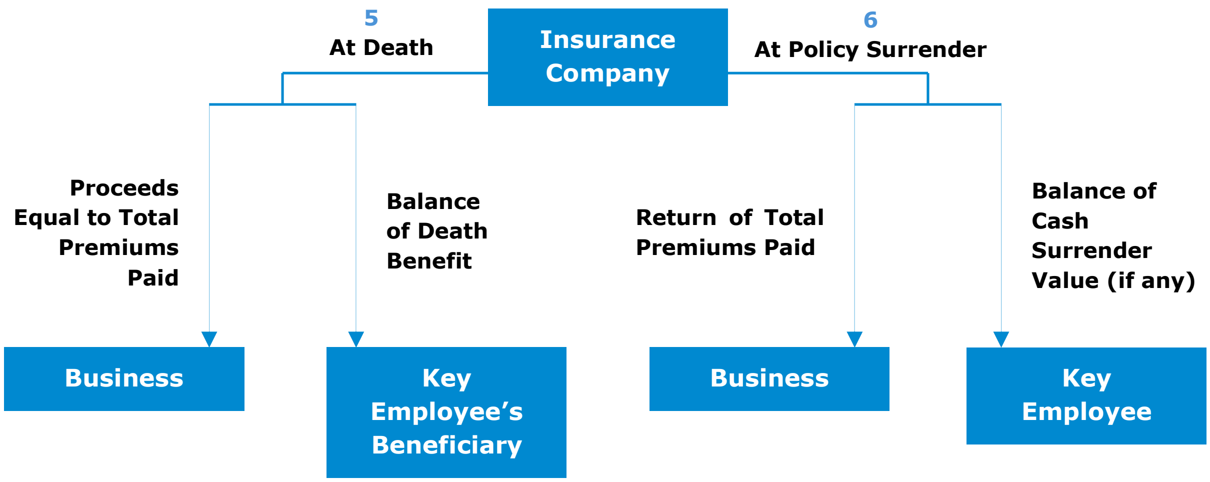
2. Based on the premium sharing arrangement, the business and employee each contribute a portion of the premium payments.

3. The ownership and beneficiary arrangements of the life insurance policy are determined by selection of the collateral assignment or endorsement method.

4. The employee may have to pay income tax on the economic benefit received (economic benefit tax regime) or on imputed interest on the employer's premium "loans" (loan tax regime).

Business Split-Dollar Life Insurance Plan in Action

Here's how a split-dollar life insurance plan could work at the employee's death or policy surrender...



5. At the employee's death, the business is usually entitled to receive from the death benefit the total of the premiums it has paid, with the employee's beneficiary receiving the balance of the death benefit, generally on an income-tax-free basis. In an endorsement split-dollar plan, the employee must have either paid for the cost of the current life insurance protection or taken the value of the current life insurance protection into account as an economic benefit in order for his/her beneficiary to receive death proceeds free of income tax. Otherwise, the death proceeds are considered payable from the business to the employee's beneficiary and are taxable as income to the beneficiary.

6. If the policy is surrendered prior to the employee's death, the business is usually entitled to receive from the cash surrender value the total of the premiums it has paid, and the employee receives the balance, if any.