

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 executives ¹ 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 nonqualified 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.



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