



Key person plus strategy

Protect your business from the loss of key employees

Your challenge

Employers often award cash bonuses to their key employees¹ as incentive to stay with the company. These bonuses can be spent shortly after receiving them and have a minimal impact on key employee retention. How much would it cost to replace your top executives? Is your business protected in case your cash bonus isn't enough to retain your key employees?

A potential solution

You can provide a benefit that goes beyond traditional cash compensation. Key person plus is an endorsement split-dollar strategy that provides:

- Protection for your business against the departure of a key executive.
- A pre-retirement death benefit to the executive's beneficiaries.
- A potential supplemental retirement benefit for the executive.

Why is life insurance an ideal tool for this strategy?

With the key employee's consent,² permanent cash value life insurance can be an excellent resource for accumulating funds needed to pay future obligations:

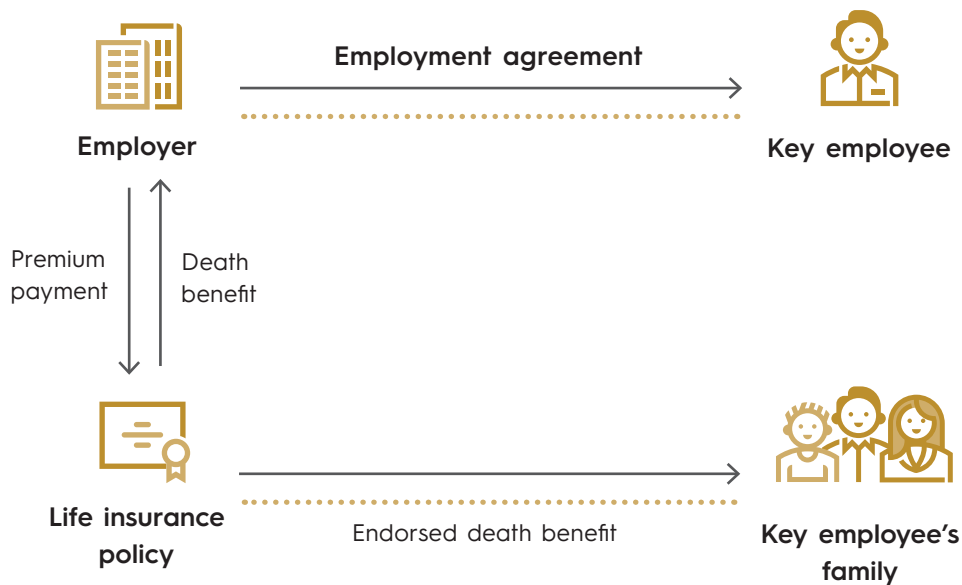
- Your company is the owner and beneficiary of the life insurance policy. The key employee is the insured, and a portion of the death benefit is endorsed to the executive as a survivor benefit.
 - The premiums you pay into cash value life insurance policies can grow tax free.
- When the insured dies, a portion of the policy's death benefit is paid to your company according to the terms of the arrangement.

Because your
business is
your life

How does key person plus strategy work?

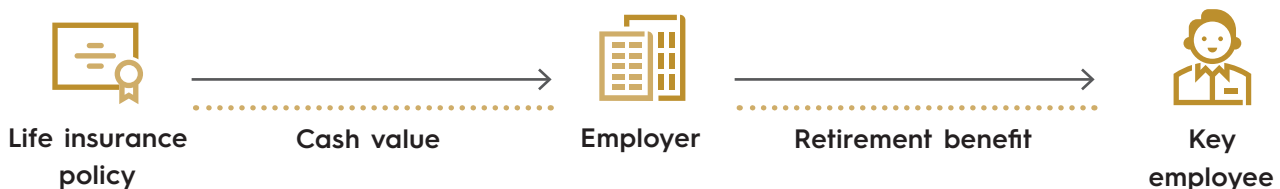
While the key employee works for you:

- Your company purchases a life insurance policy insuring the key employee's life. Working with a licensed attorney, you establish a split-dollar agreement that endorses a portion of the death benefit to the key employee.
- The company pays the premium, and the employee is taxed on the "reportable economic benefit" of the premium. The reportable economic benefit is a calculation of the tax obligation for the death benefit provided in this type of life insurance arrangement. It is calculated using term life insurance rates.³
 - As an alternative, the employee can repay your company the income taxes on the policy's economic benefit.
- The endorsement serves as a pre-retirement death benefit for the executive's dependents, should the employee die while employed with your company.



When the key employee retires:

- The arrangement is terminated.
- Your company retains ownership of the policy.
- The company may use the policy's cash values to pay supplemental retirement income to the executive as deferred compensation.



- Your company may choose to transfer the policy to the executive as an income taxable bonus.
- When the executive dies, the company recovers the cost of the arrangement through the policy's death benefit proceeds. ⁴

Company benefits

- Life insurance cash value is a company asset.
- Simple strategy to implement.
- Potential cost recovery.
- Provide benefits to select employees.

Key employee benefits

- Low-cost death benefit coverage compared to key employees purchasing life insurance independent of the company.
- Potential supplemental retirement income.

Company considerations

- Premiums are not deductible.
- Requires drafting of legal split-dollar agreements by a licensed attorney.
- Split-dollar agreements may be subject to IRS guidelines for nonqualified deferred compensation.

Key employee considerations

- Taxed annually on the economic value of the premium paid.
- No access to or control of the policy.
- Policy is owned by your company, not the executive.

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Learn more

Want to help ensure the ongoing success and growth of your business? Contact your financial professional today to find out how you can implement a key person plus strategy.



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6190 Powers Ferry Road, Suite 505 Atlanta, GA 30339

(678)322-3040