



# Life Insurance Based Non-Qualified Plan Arrangements

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	<b>162 Bonus</b>	<b>Restrictive Bonus REBA</b>	<b>Split Dollar (Endorsement Form)</b>	<b>Deferred Comp-SERP</b>
<b>Plan Description</b>	Employer-paid, executive owned life insurance arrangement where employee has total control over the policy cash value	Employer-paid, executive owned life insurance arrangement where employee's access to policy cash value is restricted	Employer-paid and owned life insurance arrangement providing employee pre-retirement death benefit protection and employer cost recovery from policy cash value or death benefit <sup>1</sup>	Contractual agreement (typically informally funded with employer owned life insurance) providing top-hat employee retirement income <sup>1</sup>
<b>Plan Objective</b>	Provide employee with death benefit protection and tax-free access to policy cash value while providing employer with an immediate income tax deduction <sup>1</sup>	Provide employee with death benefit protection and future tax-free access to policy cash value while providing employer with an immediate income tax deduction <sup>1</sup>	Provide employee with death benefit protection with minimal tax consequences while providing the employer with the ability to recover plan cost <sup>1</sup>	Provide top-hat employee with additional retirement income beyond what can be accumulated in a qualified plan <sup>1</sup>
<b>Target Employer</b>	Wants to reward a few employees and willing to give up policy control to enjoy a current income tax deduction	Like a Bonus Plan, but employer wants to limit employee's access to policy cash value to encourage retention	Wants to provide employees with a benefit but wants to retain total control over plan assets to recover plan costs. Willing to forego immediate tax-deduction and does not mind some plan administration	Wants to reward a few top-hat employees but wants to encourage retention by retaining control over plan assets and establishing a vesting schedule. Willing to forego immediate tax-deduction and does not mind some plan administration
<b>Target Employee</b>	Employee or owner in a lower tax bracket than the employer who has supplemental life insurance and retirement income needs and willing to pay taxes currently to achieve control over assets <sup>1</sup>	A non-owner key employee whose early departure may affect an employer who has a supplemental life and income need and is willing to pay taxes currently	An owner or employee who may be in a higher tax bracket than the employer who has a need for life insurance coverage during employment with minimal income tax impact	Must be a "top-hat" employee meaning in the top 10% of compensation who desires to supplement retirement income on a tax-deferred basis during their working years.
<b>Policy Owner</b>	Executive	Executive, with restrictive collateral assignment to employer	Employer <sup>2</sup> , with beneficiary endorsement to executive	Employer <sup>2</sup>
<b>Employer Contribution Deductible?</b>	Yes	Yes, but limited if arrangement has vesting schedule	No, employer owns the policy cash value and can bonus some or all the cash value and take a deduction at the time of bonus	No, employer receives the tax deduction when the retirement benefit is paid to the employee
<b>Employee Taxed on Contribution</b>	Yes	Yes	Yes, but limited to term cost (measured Table 2001)	No, employee is taxed when income benefits are received
<b>Plan Administration</b>	Yes, minimal	Yes	Yes, must comply with split dollar regulation under IRC §61	Yes, must comply with 409A

<sup>1</sup>Withdrawals and loans for a life insurance policy access to provide supplemental retirement income will reduce the death benefit and cash value, may affect any policy guarantees against lapse, and may have tax consequences.

<sup>2</sup> For employer-owned life insurance policies issued after August 17, 2006, IRC § 101(j) provides that death proceeds will be subject to income tax; however, where specific employee notice and consent requirements are met and certain safe harbor exceptions apply, death proceeds can be received income tax-free. Life insurance proceeds are otherwise generally received income tax-free under IRC § 101(a).

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