



VANTAGEPOINTSM RETURN OF PREMIUM TERM LIFE INSURANCE

Economic Benefit Split Dollar Arrangements.

Your Client: Employer looking for added benefits to help retain a valued key employee.

Situation: Employer provides the typical benefits for all of its employees but needs a special benefit to help it compete with larger employers for top talent.

Strategy:

- An economic benefit split dollar arrangement using a VantagePoint return of premium term life insurance policy can be that “special” benefit.
- Employer owns the policy. Employee names beneficiaries who will receive any death benefit over and above premiums Employer paid. If Employee is alive at the end of the policy’s term, Employer receives the return of premium amount income tax free.
- Value of Employee’s life insurance coverage (calculated using IRS Table 2001 rates) is taxable income to Employee. Employer may pay Employee a bonus to cover the income tax.

Example:

- Conway Construction, Inc. wants to reward a key employee, Daniel, for his loyalty and outstanding work.
- Daniel is 45 and in good health. He qualifies for a preferred best, no nicotine classification. Conway buys a \$250,000 VantagePoint 20-year term life insurance policy with an enhanced cash value rider. The annual premium is \$970.23.
- Conway decides to pay Dan a \$163 bonus in that first year to help Dan pay the income tax. Dan will report income of \$544 (the economic benefit of \$381 plus the bonus) and owe tax of \$163. Both the economic benefit and the bonus will increase each year as Dan gets older. Conway may deduct the bonus, but not the premium payment.
- Dan will receive life insurance protection until he retires at age 65. Conway will receive the return of premium at the end of the 20-year level premium term that will pay it \$19,405 in cash.

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