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VantagePointSM Term Life Insurance for Death Benefit Only Plans

Consider how VantagePoint term life insurance with a Return of Premium feature can be an ideal way for a business to fund a non-qualified DBO deferred compensation plan.

TARGET MARKET

A business wants to offer non-qualified deferred compensation (NQDC) as a means of rewarding and retaining a certain key employee, but is concerned about the cost and obligation of creating a plan that will pay benefits during the employee's lifetime.

STRATEGY: KEY PERSON COVERAGE USING VANTAGEPOINT TERM LIFE INSURANCE

- Establish a Death Benefit Only (DBO) plan. "Survivor" benefits are paid to the employee's designated beneficiary at the employee's death. No benefit is payable in any form to the employee during his or her life.
- Use VantagePoint term life insurance with Return of Premium to finance the plan. VantagePoint is a term life insurance policy with guaranteed level premiums for 15, 20 or 30 years with annual increases thereafter. Unlike traditional term life insurance, it will return the premiums if the insured survives to the end of the term¹.
- If employer later converts the DBO plan to a NQDC plan offering lifetime benefits, returned premium can be used to help pay for these benefits.
- Consider this DBO strategy as an alternative to traditional NQDC, split dollar, and executive bonus arrangements.



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Principal underwriter: Capital Brokerage Corporation (dba Genworth Financial Brokerage Corporation in Indiana)

3001 Summer Street, P.O. Box 120041, Stamford, CT 06905, Member NASD/SIPC

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EXAMPLE:

- The top digger at Gooch Excavations, Inc. is Harold Mole, age 35, who joined the company right after his marriage, three years ago. He is a non-smoker and is in excellent health.
- As an incentive for Harold to continue working for the company, Gooch promises that if he should die during the term of his employment, they will pay his widow \$50,000 per year for a period of 10 years.
- A \$500,000 VantagePointSM 30-year term life insurance policy on Harold, underwritten as Preferred Best No Nicotine Use, costs the business approximately \$68.25 per month. The premiums are not tax deductible to the business.
- If Harold dies during the term period, \$500,000 in death benefit will be paid income tax free to the business assuming that certain requirements are met under IRC Code §101(j).² They can then use this money to pay the promised benefit to Harold's widow. These payments are generally tax deductible to the business and fully taxable to the recipient.
- If Harold survives to the end of the 30-year period, Gooch receives a return of all premiums paid - \$24,570. If he leaves sooner and the company doesn't want to continue paying premiums, partial cash value benefits are available beginning after policy year four under the Cash Value Rider.
- Because of the unique return of premium feature, if the policy is held until the end of its term, the amount paid for the coverage would equal the time value of the premium – what the business might have earned had it invested the same money instead of purchasing the life insurance policy. Unlike investment earnings, however, the time value of the premium will not have been taxed to the business.

VantagePointSM is subject to Policy Form No. TLNCVGE05 et al. for Genworth Life Insurance Company or TLNCVFCL05 et al. for First Colony Life Insurance Company. Subject to state availability and issue limitations.

This partial product description does not completely present all features, benefits and limitations as explained in the policy, which is controlling. See the latest product features guide for more information.

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¹ The rider provides a benefit at the end of the initial premium period equal to all premiums due and paid, less any flat extra premium and outstanding loan amounts. After the fourth policy year and before the end of the initial premium period, the rider provides cash value benefits that are less than the amount of premiums paid. No cash value benefit is paid at the insured's death, only the policy face amount. Policies with a return of premium feature usually cost more than policies without this feature. The Basic Cash Value Rider provides typical intermediate values, while the Enhanced Cash Value Rider provides higher intermediate values for a higher cost.

² The death benefits paid from employer-owned life insurance policies issued after August 17, 2006, may be taxed as ordinary income to the extent that they exceed premiums paid, unless certain requirements and exceptions are met as provided in IRC §101(j), added by the Pension Protection Act of 2006.