

Information for the Consideration of
Valued Business

Presented by:

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Executive Benefit Planning

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Ask Yourself...

What would the impact on your business be if a **key employee started his/her own business or went to work for a competitor?**

Are you making effective use of business dollars to help achieve your **personal financial security objectives?**

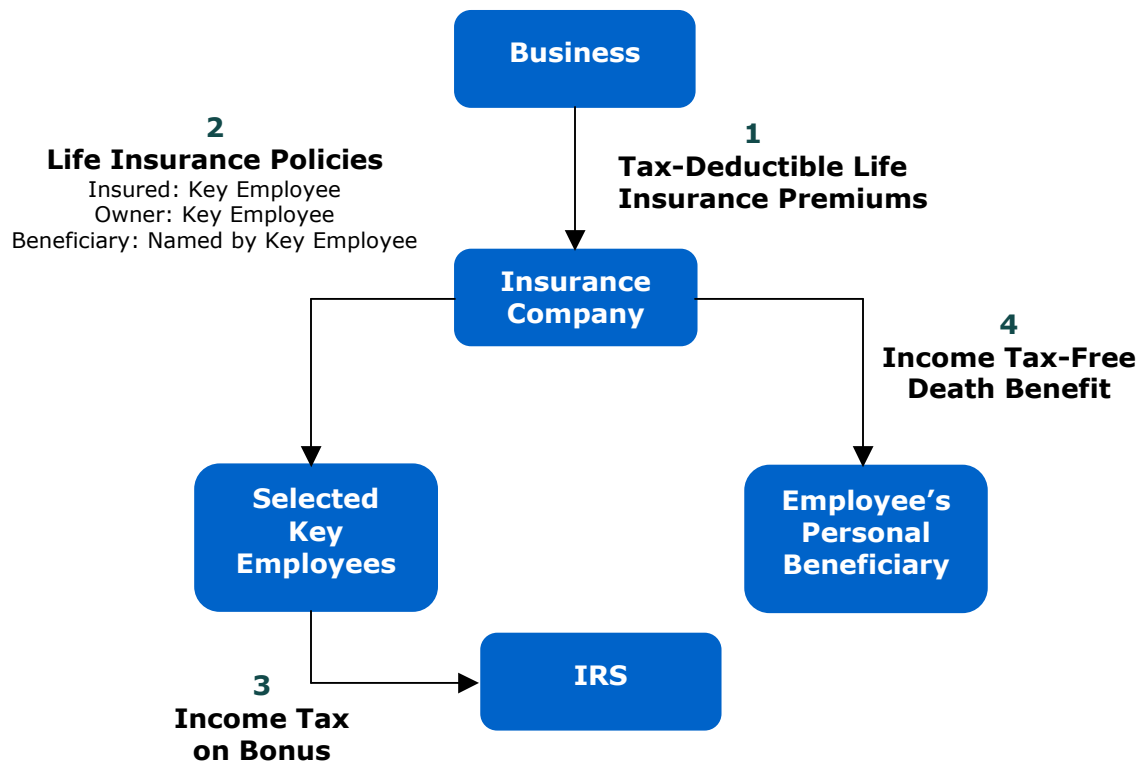
Objective: Reward and Retain Key Employees
Issues to Consider: <ul style="list-style-type: none">• What is the value of your key employees to your business success?• Do you have any selective benefit programs to assure the retention and loyalty of your key employees?• What types of benefits are important to the people who are critical to your business?• Are your current benefit plans meeting these expectations?

Objective: Use Business Dollars to Help Satisfy the Owner's Personal Financial Security Needs
Issues to Consider: <ul style="list-style-type: none">• If you had died or become disabled yesterday, would there be an adequate income to maintain your family's lifestyle today?• Will you have the funds available to meet your education and/or retirement goals?• Will your estate have sufficient liquidity to pay estate taxes and other settlement costs?• Are you taking full advantage of business dollars to meet your personal financial security goals?

Executive Bonus Plan in Action

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**Here's how an executive bonus plan could work to
*reward and retain your key employees...***



1. The business agrees to pay the tax-deductible premiums for life insurance policies applied for by selected key employees.
2. Each of the selected key employees owns the policy on his or her life and names a personal beneficiary for the death benefit. While alive, the key employee controls the policy's cash value and is entitled to any policy dividends paid.
3. The cost to the key employee is the income tax due on the premiums paid by the business as a bonus.
4. At the key employee's death, his or her personal beneficiary receives the death benefit free of income tax.

Business Continuity and Selective Executive Benefits

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What Is the Impact of Business Continuity on the Payment of Selective Executive Benefits?

When the objective of an executive benefit plan is to have a corporation pay supplementary benefits on a selective basis to key executives, including shareholder-employees, the continuity potential of the corporation must be evaluated, since the business must be in existence in order to pay the promised benefits as they become due.

Is the corporation likely to survive the owner's death, disability or retirement?

Is it desirable for assets purchased by the corporation to fund future executive benefits to be accessible by corporate creditors?

If the answer to either of these questions is **NO**, then a type of selective executive benefit plan owned by the employee may be a better choice, such as:

Executive Bonus Plan

The corporation pays a bonus to selected key executives in the form of life insurance premiums. The corporation deducts its contributions, which are taxable to the executive. The executive owns the policy, making it secure from corporate creditors, and can accumulate substantial cash values.

Collateral Assignment Split Dollar Plan

In a split dollar arrangement, since the employer pays part of the cost, selected key executives are able to purchase cash value life insurance at reduced cost to them. With a collateral assignment split dollar plan, the executive owns the contract, making it safe from corporate creditors, and then assigns the policy to the corporation as security for its premium contributions.