

Endorsement Split Dollar

The Plan Description

Of all the strategies used by employers to provide significant amounts of life insurance for the protection of the families of valuable executives, this variation is one of the most efficient.

With this arrangement, the policy is issued on the executive's life and owned by the employer. Policy values and benefits are allocated as follows:

The employer owns all cash values which are carried as an asset on its books. (The employer's outlay is simply a transfer from the firm's "cash account" to "cash value account".)

The employer has access to cash values through the policy's withdrawal and/or loan provisions.

The employer's death benefit is equal to its cumulative premiums paid or, if greater, an amount equal to the policy cash value.

Through use of a policy endorsement, the executive's beneficiaries are entitled to receive a portion of the policy death benefit.

Split dollar plans have yearly income tax ramifications for the covered executive. Unless an offsetting payment is made, an executive covered with this type of arrangement is in receipt of a taxable economic benefit to the extent relief is provided from paying premiums personally. Since any premium payment by the executive results in taxable income to the employer (Reg. Section 1.61-22(f)(2)(ii)), the accompanying illustration assumes that the executive pays no share of the premium. As a result, the executive will be in receipt of imputed income each year based on the attained age rates contained in Table 2001 (issued as part of IRS Notice 2001-10). This income consequence is illustrated in the accompanying reports including a bonus from the employer to help offset the income tax that results.

Extensive life insurance coverage for the executive, combined with an impressive array of cash values for the employer, constitute a program that should be financially compelling to both employer and executive.

Note: The Final Split Dollar Regulations (68 FR 54336) issued in September 2003 should have no adverse impact on this plan as illustrated; however, in all cases, the approval of a client's legal and tax advisers must be secured regarding the implementation of any form of split dollar.

Executive Split Dollar Using Universal Life (UL)

Illustration of Values of The Policy Used in the Plan

Values Page: 1

Presented By: [Licensed user's name appears here]

For: George Baker

Date: [Current date appears here]

The Baker Corporation

	Male Age 40	UL Interest Rate 5.00%	Initial Payment 5,000	Initial Death Benefit 300,000	
Year	(1) Net Payment	(2) Pre-Tax Policy Cash Flow	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Death Benefit
1	5,000	0	4,631	1,481	304,631
2	5,000	0	9,510	3,210	309,510
3	5,000	0	14,722	7,972	314,722
4	5,000	0	20,240	13,490	320,241
5	5,000	0	26,084	19,334	326,084
6	5,000	0	32,270	25,858	332,270
7	5,000	0	38,796	32,788	338,796
8	5,000	0	45,678	40,143	345,678
9	5,000	0	52,934	47,939	352,934
10	5,000	0	60,580	56,193	360,580
11	5,000	0	68,638	64,925	368,638
12	5,000	0	77,108	74,138	377,108
13	5,000	0	86,010	83,850	386,010
14	5,000	0	95,358	94,075	395,358
15	5,000	0	105,165	105,165	405,165
16	5,000	0	115,450	115,450	415,450
17	5,000	0	126,229	126,229	426,229
18	5,000	0	137,513	137,513	437,513
19	5,000	0	149,319	149,319	449,319
20	5,000	0	161,663	161,663	461,663
	100,000	0			

*This is an example of an InsMark supplemental illustration for universal life. In actual presentations, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company which contains important details, guarantees, and caveats.

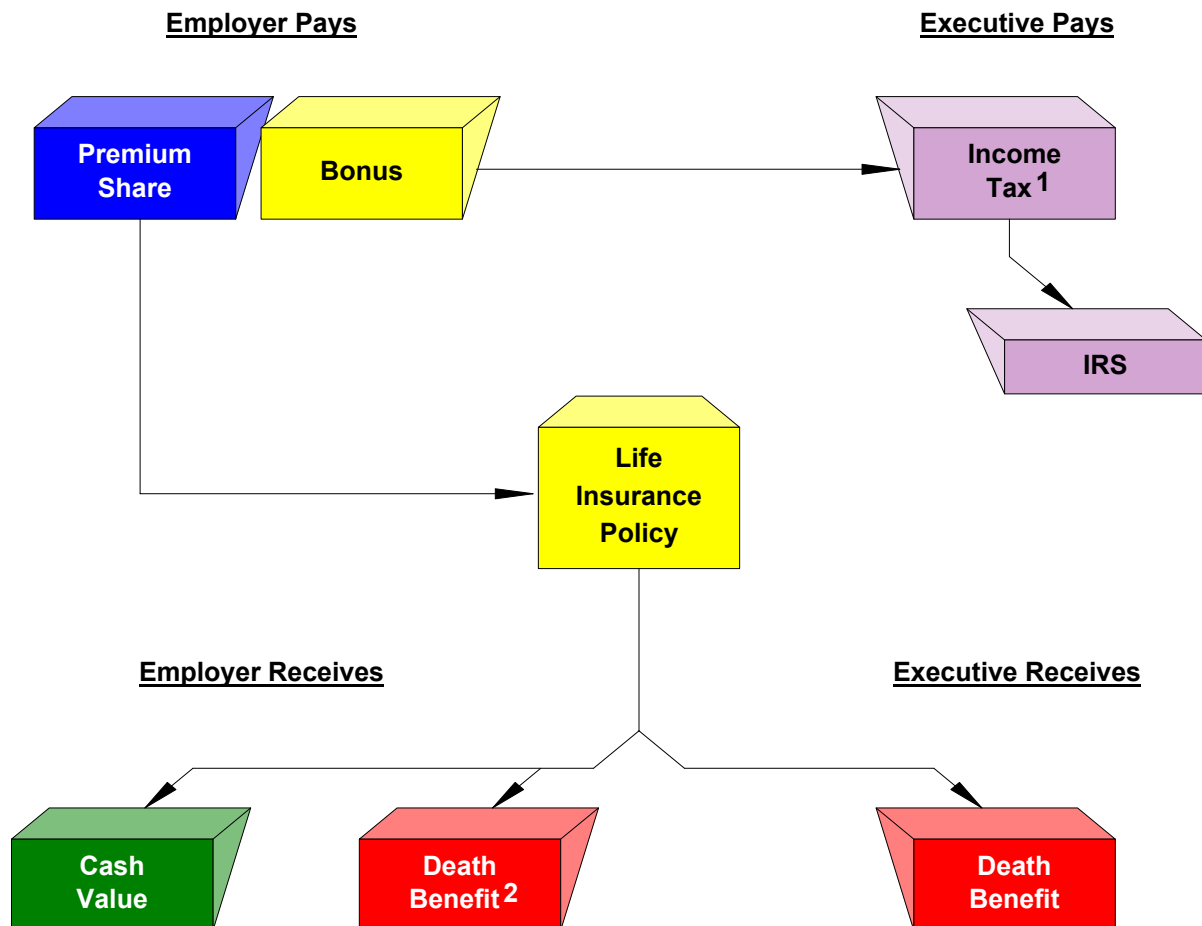
Executive Split Dollar Using Universal Life (UL)

Who Pays What - Who Receives What

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Date: [Current date appears here]

For: George Baker
The Baker Corporation

Flow Chart Analysis



(1) For the bonus and any economic benefit imputed on the plan.

(2) Equal to remaining balance after executive's portion is deducted.

Summary of Costs and Benefits

Executive Split Dollar Using Universal Life (UL)

Summary Page: 1

Presented By: [Licensed user's name appears here]

For: George Baker

Date: [Current date appears here]

The Baker Corporation

Year	Male Age 40	Form of Transaction (Endorsement)	Employer's Tax Bracket 15.00%	Executive's Tax Bracket 35.00%	UL Interest Rate 5.00%		
	Employer					Executive	
	(1) Net Payment	(2) Cumulative Net Payments	(3) Policy Accum Value*	(4) Policy Cash Value*	(5) Share of Policy Death Benefit	(6) Net Payment	(7) Share of Policy Death Benefit
1	5,151	5,151	4,631	1,481	5,000	0	299,631
2	5,155	10,306	9,510	3,210	10,000	0	299,510
3	5,165	15,471	14,722	7,972	15,000	0	299,722
4	5,177	20,648	20,240	13,490	20,241	0	300,000
5	5,192	25,840	26,084	19,334	26,084	0	300,000
6	5,210	31,050	32,270	25,858	32,270	0	300,000
7	5,230	36,280	38,796	32,788	38,796	0	300,000
8	5,252	41,532	45,678	40,143	45,678	0	300,000
9	5,272	46,804	52,934	47,939	52,934	0	300,000
10	5,292	52,096	60,580	56,193	60,580	0	300,000
11	5,316	57,412	68,638	64,925	68,638	0	300,000
12	5,346	62,758	77,108	74,138	77,108	0	300,000
13	5,386	68,144	86,010	83,850	86,010	0	300,000
14	5,439	73,583	95,358	94,075	95,358	0	300,000
15	5,502	79,085	105,165	105,165	105,165	0	300,000
16	5,570	84,655	115,450	115,450	115,450	0	300,000
17	5,643	90,298	126,229	126,229	126,229	0	300,000
18	5,714	96,012	137,513	137,513	137,513	0	300,000
19	5,777	101,789	149,319	149,319	149,319	0	300,000
20	5,832	107,621	161,663	161,663	161,663	0	300,000
	107,621					0	

*This is an example of an InsMark supplemental illustration for universal life. In actual presentations, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company which contains important details, guarantees, and caveats.

Split dollar arrangement presumed terminated in year 20.

Employer's Analysis

Executive Split Dollar Using Universal Life (UL)

Employer's Page: 1
Date: [Current date appears here]

Presented By: [Licensed user's name appears here]

For: George Baker
The Baker Corporation

	Male Age 40	Form of Transaction (Endorsement)	Employer's Tax Bracket 15.00%	UL Interest Rate 5.00%		
Year	(1) Split Dollar Premium Share	(2) Cum. Split Dollar Premium Share	(3) Bonus to Executive	(4) After Tax Cost of Bonus	(5) Net Payment (1) + (4)	(6) Cumulative Net Payments
1	5,000	5,000	178	151	5,151	5,151
2	5,000	10,000	182	155	5,155	10,306
3	5,000	15,000	194	165	5,165	15,471
4	5,000	20,000	208	177	5,177	20,648
5	5,000	25,000	226	192	5,192	25,840
6	5,000	30,000	247	210	5,210	31,050
7	5,000	35,000	270	230	5,230	36,280
8	5,000	40,000	296	252	5,252	41,532
9	5,000	45,000	320	272	5,272	46,804
10	5,000	50,000	344	292	5,292	52,096
11	5,000	55,000	372	316	5,316	57,412
12	5,000	60,000	407	346	5,346	62,758
13	5,000	65,000	454	386	5,386	68,144
14	5,000	70,000	517	439	5,439	73,583
15	5,000	75,000	590	502	5,502	79,085
16	5,000	80,000	670	570	5,570	84,655
17	5,000	85,000	756	643	5,643	90,298
18	5,000	90,000	840	714	5,714	96,012
19	5,000	95,000	914	777	5,777	101,789
20	5,000	100,000	979	832	5,832	107,621
	100,000		8,964	7,621	107,621	

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Split dollar arrangement presumed terminated in year 20.

Executive's Analysis

Executive Split Dollar Using Universal Life (UL)

Executive's Detail Page: 1
Date: [Current date appears here]

Presented By: [Licensed user's name appears here]

For: George Baker
The Baker Corporation

	Male Age 40	Form of Transaction (Endorsement)	Executive's Tax Bracket 35.00%	UL Interest Rate 5.00%		
Year	(1) Split Dollar Premium Share	(2) Additional Taxable Value of Benefit*	(3) Bonus Income Received	(4) Taxable Income (2) + (3)	(5) Income Tax Due on Col (4)	(6) Net Payment (1)-(3)+(5)
1	0	330	178	508	178	0
2	0	338	182	520	182	0
3	0	360	194	554	194	0
4	0	387	208	595	208	0
5	0	420	226	646	226	0
6	0	459	247	706	247	0
7	0	501	270	771	270	0
8	0	549	296	845	296	0
9	0	594	320	914	320	0
10	0	639	344	983	344	0
11	0	690	372	1,062	372	0
12	0	756	407	1,163	407	0
13	0	843	454	1,297	454	0
14	0	960	517	1,477	517	0
15	0	1,095	590	1,685	590	0
16	0	1,245	670	1,915	670	0
17	0	1,404	756	2,160	756	0
18	0	1,560	840	2,400	840	0
19	0	1,698	914	2,612	914	0
20	0	1,818	979	2,797	979	0
	0	16,646	8,964	25,610	8,964	0

*Assuming column (1) offsets the economic benefit.

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Column (2) is the imputed economic benefit in compliance with IRS Notice 2002-8. (Table 2001 rates utilized.)

Executive's Personal Report

Executive Split Dollar Using Universal Life (UL)

Executive's Personal Report Page: 1
Date: [Current date appears here]

Presented By: [Licensed user's name appears here]

For: George Baker
The Baker Corporation

Male	Form of	Executive's	UL
Age	Transaction	Tax Bracket	Interest Rate
40	(Endorsement)	35.00%	5.00%

Year	Executive's Costs	Executive's Values
	(1)	(2)
	Net Payment	Executive's Share of Death Benefit
1	0	299,631
2	0	299,510
3	0	299,722
4	0	300,000
5	0	300,000
6	0	300,000
7	0	300,000
8	0	300,000
9	0	300,000
10	0	300,000
11	0	300,000
12	0	300,000
13	0	300,000
14	0	300,000
15	0	300,000
16	0	300,000
17	0	300,000
18	0	300,000
19	0	300,000
20	0	300,000
	0	

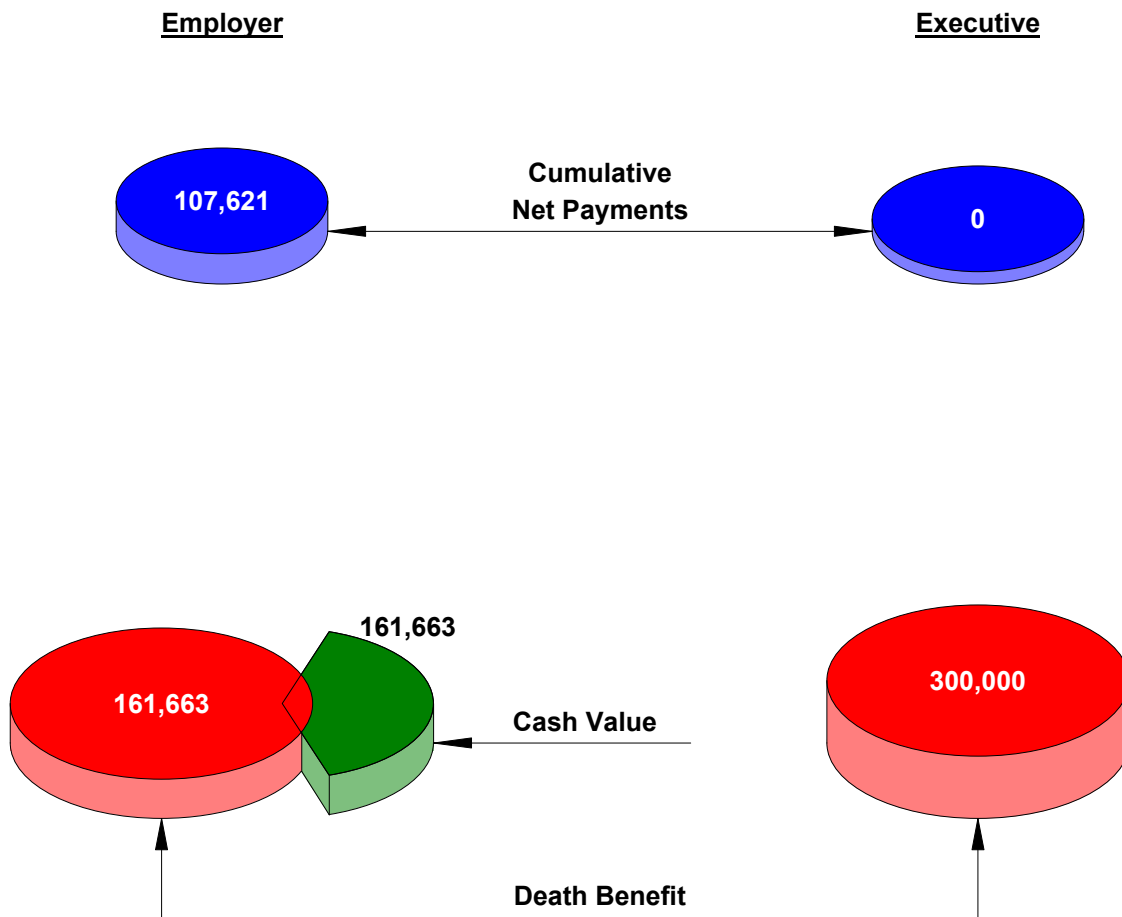
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Executive Split Dollar Using Universal Life (UL)

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Date: [Current date appears here]

For: George Baker
The Baker Corporation

20th Year Summary Analysis



Note: The after tax effects of bonuses are included in the cumulative net payments of both the employer and the executive.

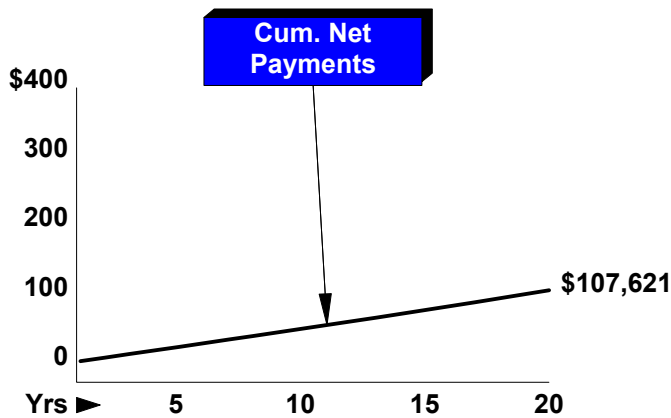
Executive Split Dollar Using Universal Life (UL)

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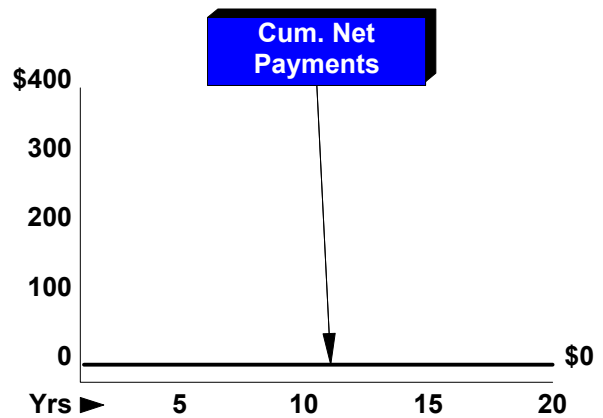
For: George Baker
The Baker Corporation

20 Year Graphic Analysis

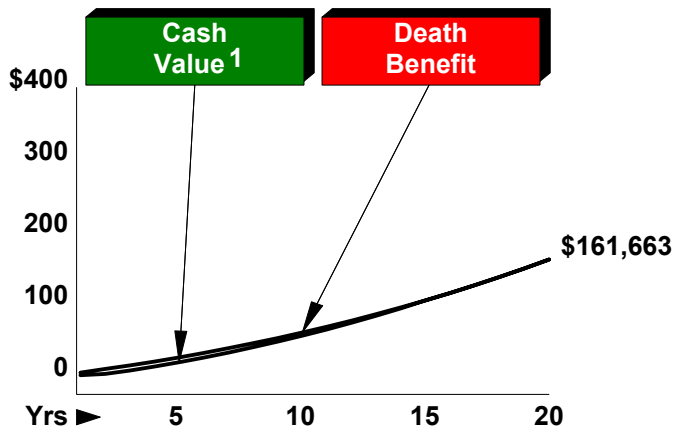
Employer's Payments



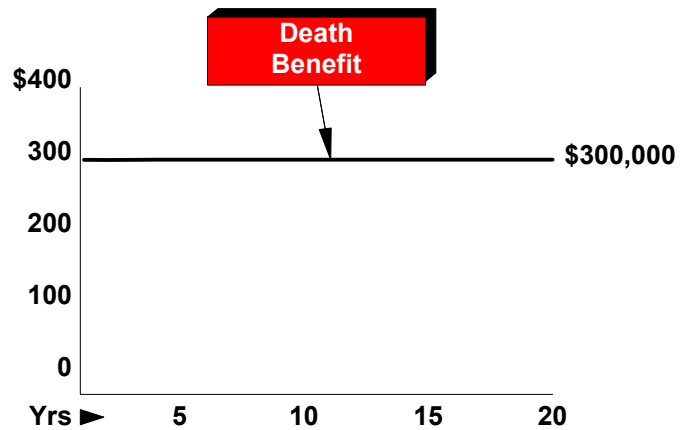
Executive's Payments



Employer's Values



Executive's Values



(1) Employer cash value equal to employer death benefit in year 15 and thereafter.

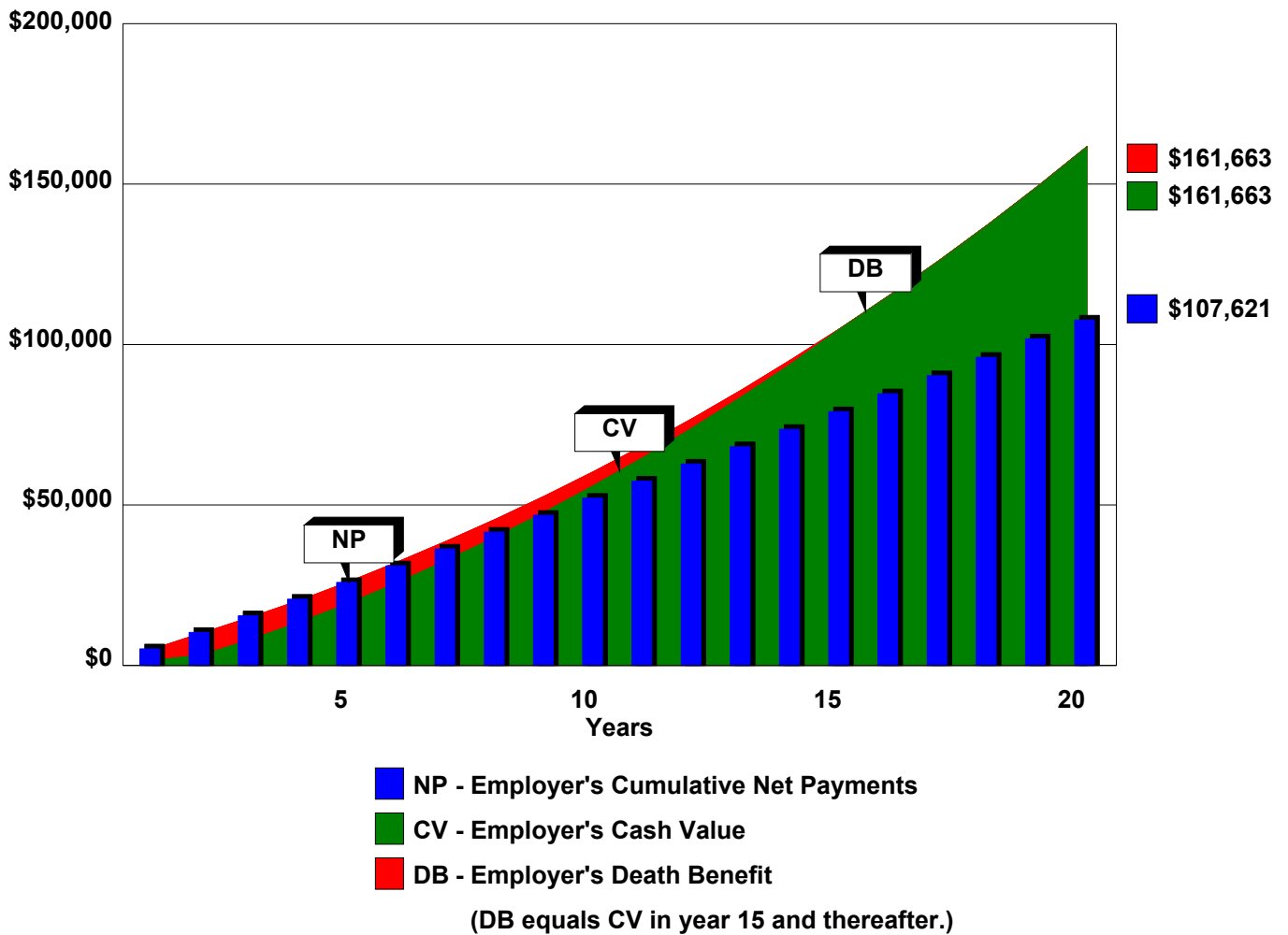
Note: The after tax effects of bonuses are included in the cumulative net payments of both the employer and the executive.

Executive Split Dollar Using Universal Life (UL)

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Employer's 20 Year Graphic Analysis



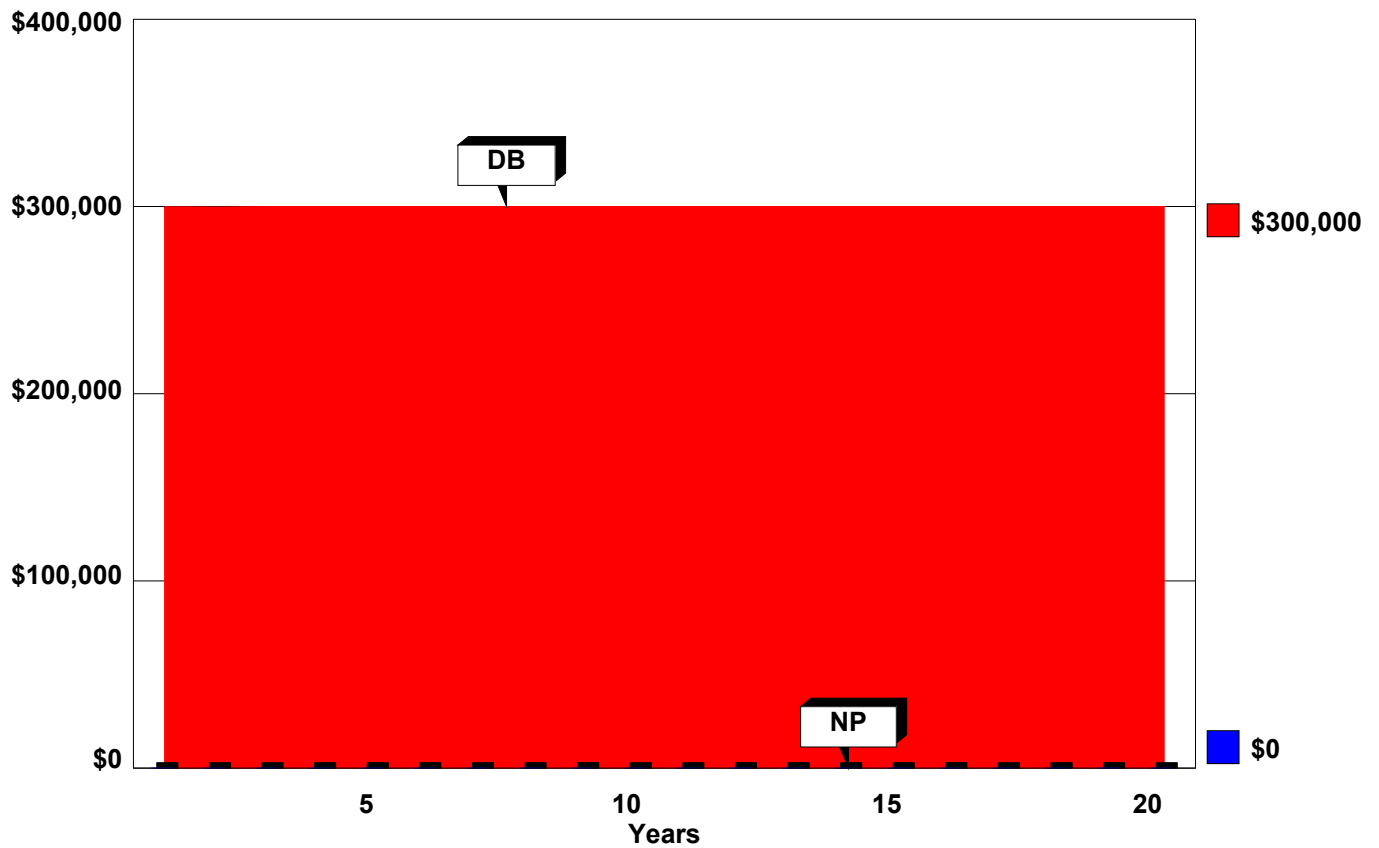
Note: The after tax effects of bonuses are included in the cumulative net payments of both the employer and the executive.

Executive Split Dollar Using Universal Life (UL)

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Date: [Current date appears here]

For: George Baker
The Baker Corporation

Executive's 20 Year Graphic Analysis



■ NP - Executive's Cumulative Net Payments
■ DB - Executive's Death Benefit

Note: The after tax effects of bonuses are included in the cumulative net payments of both the employer and the executive.