

# **An Executive Security Plan**

## **The Plan Description**

Of all the strategies available for an employer to provide unique benefits for selected executives, a bonus used to pay the premium for an executive-owned cash value life insurance policy is highly rewarding yet very simple to implement.

Most employers that utilize such plans usually provide a bonus of sufficient size so that the executive receives adequate funds for both the policy premium and the tax on the bonus.

There are two categories of this fringe benefit plan:

### **Plans with Unrestricted Access**

This plan is owned by the participant, has no restriction on the executive's access to plan values, and may be used at any time for any purpose. Bonus plans of this type are typically used for shareholder-executives.

### **Plans with Deferred Access**

This variation utilizes a technique known as an "endorsement of policy ownership rights". With this procedure, the employer's payment of the bonus is conditional upon the executive agreeing, in writing, not to take any action on the policy, such as withdrawal or loan, until an agreed upon date (or event) occurs - usually retirement. This variation is primarily used with non-shareholder executives.

Either form of bonus plan contains the following characteristics:

1. Discriminatory participation;
2. Deductible funding costs;
3. No out-of-pocket cost to the executive;
4. Tax free access to cash values through policy loans;
5. Income tax free death benefits;
6. No regulatory approval required;
7. Negligible plan administration;
8. Any size business can establish a plan;
9. Executive's values may not be attached by employer's creditors.

Favorable income tax consequences combine with significant policy values and benefits to create an executive compensation plan with a considerable amount of financial leverage. This is particularly evident in the accompanying presentation.

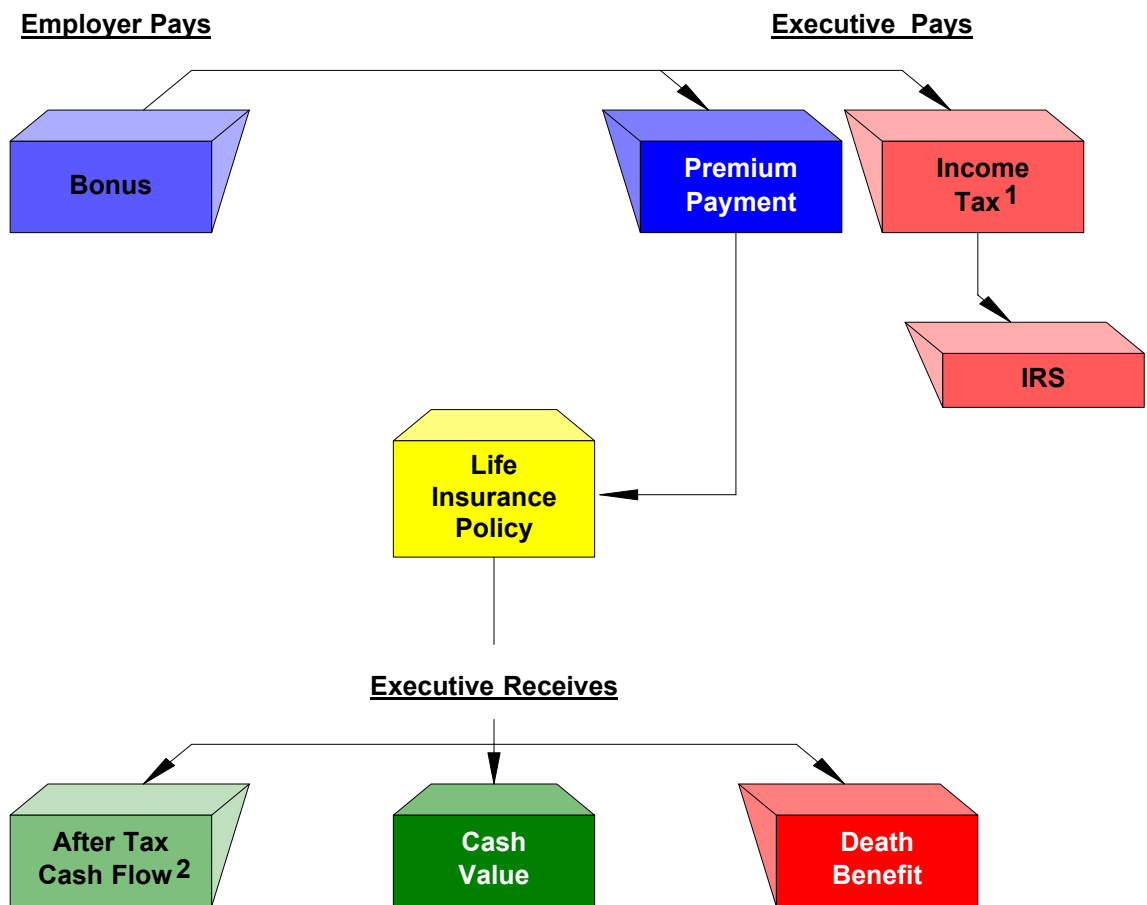
# An Executive Security Plan Using Equity Indexed Universal Life

## Who Pays What - Who Receives What

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

For: Arthur Lee  
Employer: Ryder Corporation

### Flow Chart Analysis



(1) Due on the bonus received.

(2) For Retirement Income.

## An Executive Security Plan Using Equity Indexed Universal Life

Values Page: 1

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

For: Arthur Lee

Date: [Current date appears here]

Employer: Ryder Corporation

Male Age 45	Employer's Tax Bracket 34.00%	Executive's Tax Bracket 40.00%	Eq. Indexed UL Interest Rate 8.50%	Initial Payment 100,000	Initial Death Benefit 2,500,000
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Year	Employer's Costs		Executive's Costs				Executive's Values			
	(1) Employer's Allocated Payment to the Plan	(2) Employer's After Tax Net Payment	(3) Cost of the Policy Premium	(4) Allocation to Executive	(5) Income Tax on Col(4)	(6) Executive's Net Payment	(7) Retirement Income After Tax Cash Flow	(8) Year End Accum Value*	(9) Year End Cash Value*	(10) Death Benefit
1	166,667	110,000	100,000	166,667	66,667	0	0	102,198	67,198	2,500,000
2	166,667	110,000	100,000	166,667	66,667	0	0	213,869	143,869	2,500,000
3	166,667	110,000	100,000	166,667	66,667	0	0	335,427	260,927	2,500,000
4	166,667	110,000	100,000	166,667	66,667	0	0	467,797	393,297	2,500,000
5	166,667	110,000	100,000	166,667	66,667	0	0	612,010	537,510	2,500,000
6	0	0	0	0	0	0	0	659,828	589,053	2,500,000
7	0	0	0	0	0	0	0	711,459	645,154	2,500,000
8	0	0	0	0	0	0	0	767,257	706,167	2,500,000
9	0	0	0	0	0	0	0	827,578	772,448	2,500,000
10	0	0	0	0	0	0	0	892,823	844,398	2,500,000
11	0	0	0	0	0	0	0	963,473	922,498	2,500,000
12	0	0	0	0	0	0	0	1,040,048	1,007,268	2,500,000
13	0	0	0	0	0	0	0	1,123,108	1,099,268	2,500,000
14	0	0	0	0	0	0	0	1,213,329	1,199,174	2,500,000
15	0	0	0	0	0	0	0	1,311,468	1,311,468	2,500,000
16	0	0	0	0	0	0	0	1,418,351	1,418,351	2,500,000
17	0	0	0	0	0	0	0	1,534,977	1,534,977	2,500,000
18	0	0	0	0	0	0	0	1,662,474	1,662,474	2,500,000
19	0	0	0	0	0	0	0	1,802,130	1,802,130	2,500,000
20	0	0	0	0	0	0	0	1,955,453	1,955,453	2,500,000
	833,335	550,000	500,000	833,335	333,335	0	0			

### 20 Year Summary

\*This is an example of an InsMark supplemental illustration for equity indexed universal life. In an actual presentation, this footnote will refer to an accompanying basic illustration from a specific life insurance company with important details, caveats, and guarantees.

Employer's Cumulative A/T Costs	550,000
Executive's Net Payment	0
Executive's Cum. A/T Retirement Income	0
Executive's Cash Value	1,955,453
Executive's Death Benefit	2,500,000

## An Executive Security Plan Using Equity Indexed Universal Life

Values Page: 2  
Date: [Current date appears here]

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

For: Arthur Lee  
Employer: Ryder Corporation

Male Age 45	Employer's Tax Bracket 34.00%	Executive's Tax Bracket 40.00%	Eq. Indexed UL Interest Rate 8.50%	Initial Payment 100,000	Initial Death Benefit 2,500,000
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Year	Employer's Costs		Executive's Costs				Executive's Values			
	(1) Employer's Allocated Payment to the Plan	(2) Employer's After Tax Net Payment	(3) Cost of the Policy Premium	(4) Allocation to Executive	(5) Income Tax on Col(4)	(6) Executive's Net Payment	(7) Retirement Income After Tax Cash Flow	(8) Year End Accum Value*	(9) Year End Cash Value*	(10) Death Benefit
21	0	0	0	0	0	0	175,000	1,933,315	1,933,315	2,324,975
22	0	0	0	0	0	0	175,000	1,910,681	1,910,681	2,273,711
23	0	0	0	0	0	0	175,000	1,885,756	1,885,756	2,229,962
24	0	0	0	0	0	0	175,000	1,857,710	1,857,710	2,209,831
25	0	0	0	0	0	0	175,000	1,826,173	1,826,173	2,184,265
26	0	0	0	0	0	0	175,000	1,790,784	1,790,784	2,152,720
27	0	0	0	0	0	0	175,000	1,751,836	1,751,836	2,089,417
28	0	0	0	0	0	0	175,000	1,709,220	1,709,220	2,016,160
29	0	0	0	0	0	0	175,000	1,662,902	1,662,902	1,932,399
30	0	0	0	0	0	0	175,000	1,612,939	1,612,939	1,837,628
31	0	0	0	0	0	0	175,000	1,559,522	1,559,522	1,731,409
32	0	0	0	0	0	0	175,000	1,499,970	1,499,970	1,683,789
33	0	0	0	0	0	0	175,000	1,433,542	1,433,541	1,629,843
34	0	0	0	0	0	0	175,000	1,359,402	1,359,402	1,568,749
35	0	0	0	0	0	0	175,000	1,276,610	1,276,610	1,499,575
36	0	0	0	0	0	0	175,000	1,184,107	1,184,107	1,421,271
37	0	0	0	0	0	0	175,000	1,080,693	1,080,693	1,332,638
38	0	0	0	0	0	0	175,000	965,017	965,017	1,232,328
39	0	0	0	0	0	0	175,000	835,552	835,552	1,118,808
40	0	0	0	0	0	0	175,000	690,576	690,576	990,347
	833,335	550,000	500,000	833,335	333,335	0	3,500,000			

### 40 Year Summary

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Employer's Cumulative A/T Costs	550,000
Executive's Net Payment	0
Executive's Cum. A/T Retirement Income	3,500,000
Executive's Cash Value	690,576
Executive's Death Benefit	990,347

# Executive's Personal Report

## An Executive Security Plan Using Equity Indexed Universal Life

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

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

For: Arthur Lee  
Employer: Ryder Corporation

Male Age 45	Executive's Tax Bracket 40.00%	Eq. Indexed UL Interest Rate 8.50%	Initial Payment 100,000	Initial Death Benefit 2,500,000
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Year	Executive's Costs		Executive's Values		
	(1) Executive's Net Payment	(2) Retirement Income After Tax Cash Flow	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Death Benefit
1	0	0	102,198	67,198	2,500,000
2	0	0	213,869	143,869	2,500,000
3	0	0	335,427	260,927	2,500,000
4	0	0	467,797	393,297	2,500,000
5	0	0	612,010	537,510	2,500,000
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20	0	0	1,955,453	1,955,453	2,500,000
	0	0			

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Executive's Net Payment	0
Executive's Cum. A/T Retirement Income	0
Executive's Cash Value	1,955,453
Executive's Death Benefit	2,500,000

# Executive's Personal Report

## An Executive Security Plan Using Equity Indexed Universal Life

Executive's Personal Report Page: 2  
Date: [Current date appears here]

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

For: Arthur Lee  
Employer: Ryder Corporation

Male Age	Executive's Tax Bracket	Eq. Indexed UL Interest Rate	Initial Payment	Initial Death Benefit
45	40.00%	8.50%	100,000	2,500,000

Year	Executive's Costs		Executive's Values		
	(1) Executive's Net Payment	(2) Retirement Income After Tax Cash Flow	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Death Benefit
21	0	175,000	1,933,315	1,933,315	2,324,975
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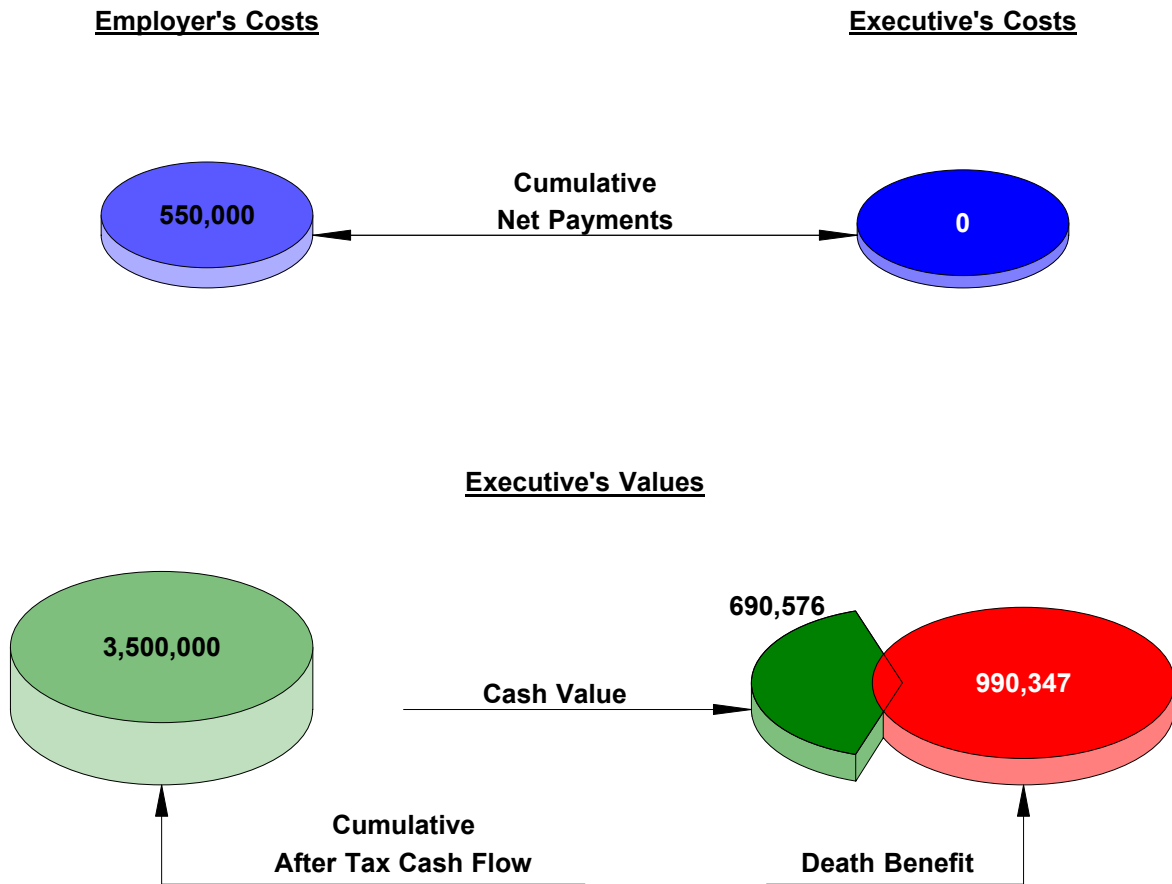
Executive's Net Payment	0
Executive's Cum. A/T Retirement Income	3,500,000
Executive's Cash Value	690,576
Executive's Death Benefit	990,347

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Date: [Current date appears here]

For: Arthur Lee  
Employer: Ryder Corporation

## 40th Year Summary Analysis



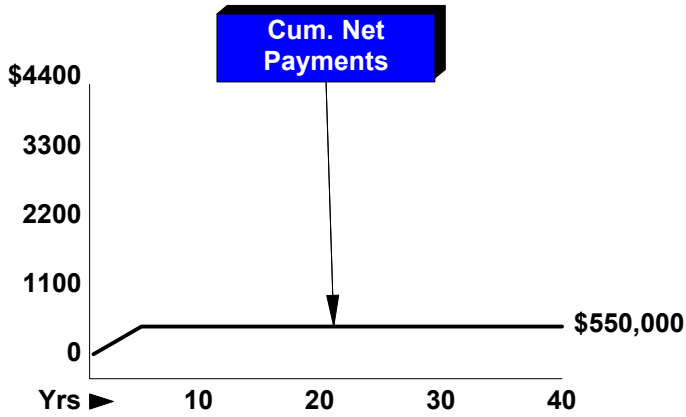
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Date: [Current date appears here]

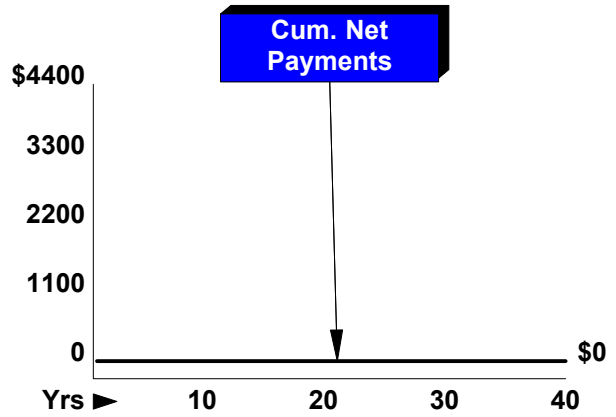
For: Arthur Lee  
Employer: Ryder Corporation

## 40 Year Graphic Analysis

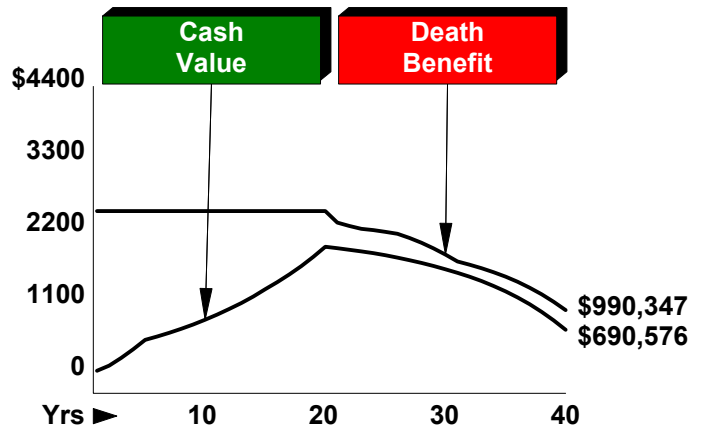
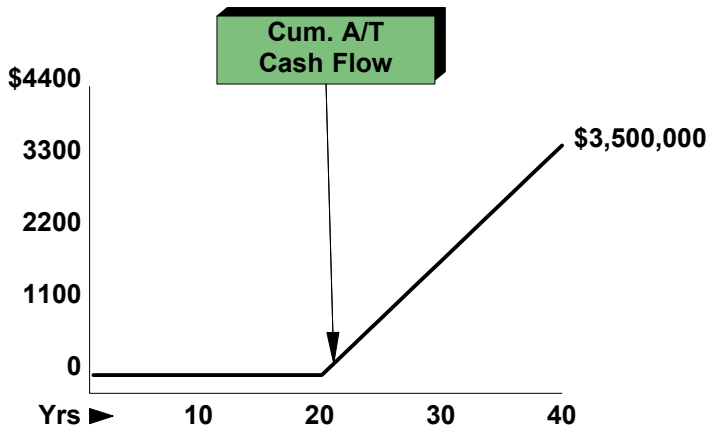
**Employer's Costs**



**Executive's Costs**



**Executive's Values**

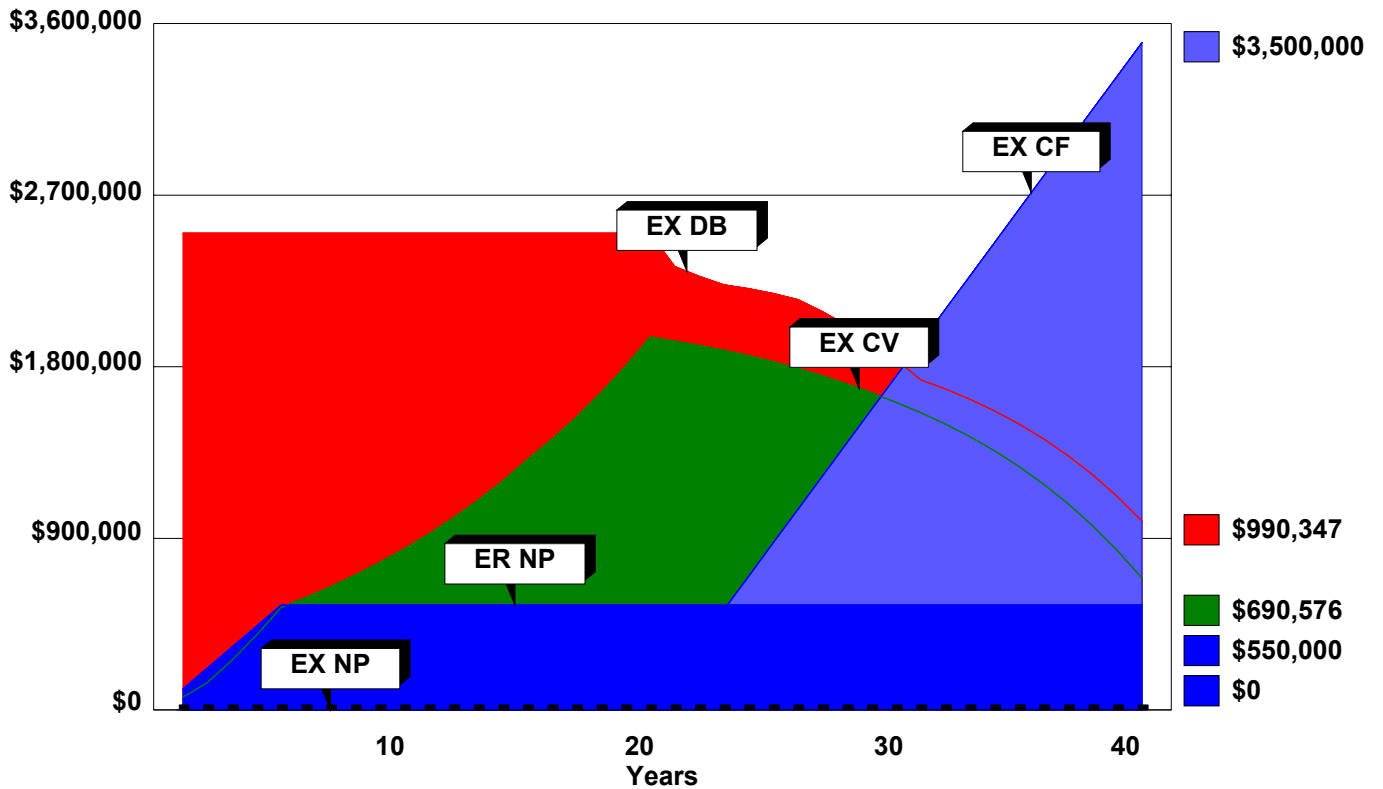


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For: Arthur Lee  
Employer: Ryder Corporation

## Employer's/Executive's Composite 40 Year Graphic Analysis



- EX NP - Executive's Cumulative Net Payments
- ER NP - Employer's Cumulative Net Payments
- EX CF - Executive's Cumulative After Tax Cash Flow
- EX CV - Executive's Cash Value
- EX DB - Executive's Death Benefit

(1) For Retirement Income.