

A Limited Collateral Assignment Split Dollar Plan

The Plan Description

Of all the strategies used by families for wealth preservation planning, Limited Collateral Assignment Split Dollar is one of the most efficient.

With this arrangement, parents (referred to as "Plan Sponsor") pay a substantial share of the premiums for a cash value life insurance policy insuring one (or both) of their lives. An irrevocable trust (referred to as "Plan Recipient", or "trust") formed on behalf of children is typically the owner of the policy.

Through use of a Split Dollar Agreement containing a limited collateral assignment, the Plan Recipient assigns the Plan Sponsor an interest in the policy equal to the Plan Sponsor's aggregate premiums or the policy's cash values, if greater. (This means that none of the policy's cash values are the property of the Plan Recipient -- a key to avoiding additional gift tax consequences associated with The Final Split Dollar Regulations (68 FR 54336) issued in September 2003.

The trust is usually expected to pay a portion of the plan's premiums, and these payments are pegged to the IRS-approved Table 2001 rates issued in IRS Notice 2001-10. In the accompanying presentation, gifts from the Plan Sponsor are illustrated in order to offset the trust's schedule of payments. Normally any premium payment by the trust would result in taxable income to the Plan Sponsor (Reg. Section 1.61-22(f)(2)(ii)); however, the accompanying illustration assumes that the trust is an intentionally defective, irrevocable, grantor trust in which the trust and the Plan Sponsor are assumed to be a single income tax entity, and thus the Plan Sponsor should escape taxation of the trust's payment to the plan. (IRC Secs. 671 and 675, Reg. Section 1.671-2(c), and Rev. Rul. 85-13.) The main purpose of the arrangement is to provide the trust with access to inexpensive life insurance death benefits, keep the policy's death proceeds out of the Plan Sponsor's estate, yet not have any portion of the policy's cash values

The main purpose of the arrangement is to provide the trust with access to inexpensive life insurance death benefits, keep the policy's death proceeds out of the Plan Sponsor's estate, yet not have any portion of the policy's cash values constitute gifts to the trust.

This strategy combines low cost coverage for the trust with an impressive array of cash values for the Plan Sponsor, thus generating a program that should be financially compelling to both Plan Sponsor and the trust.

Note: If a request is made by the Plan Sponsor to terminate the split dollar arrangement (as might occur if permanent estate tax repeal is enacted), the formal Agreement between the parties typically provides that the Plan Recipient has the option of transferring its interest in the policy to the Plan Sponsor in settlement of its obligations under the plan. This feature provides vital flexibility in view of the uncertainty surrounding permanent estate tax repeal.

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.

**A Limited Collateral Assignment Split Dollar Plan
Using
Cash Value Insurance (CVI)**

**Illustration of Values
of
The Policy Used in the Plan**

Presented By: [Licensed user's name appears here]
Date: [Current date appears here]
Values Page: 1

Plan Sponsor: Nathan and Greta Baier
Plan Recipient and Policy Owner: Baier Family Trust
Insureds: Nathan Baier/Greta Baier

	M/F Age 65/60	CVI Interest Rate 10.00%	Initial Payment 100,000	Initial Death Benefit 10,000,000	
	(1)	(2)	(3)	(4)	(5)
Year	Policy Premium	Pre-Tax Policy Cash Flow	Year End Accum Value*	Year End Cash Value*	Death Benefit
1	100,000	0	18,559	0	10,018,560
2	100,000	0	121,111	0	10,121,110
3	100,000	0	232,525	0	10,232,530
4	100,000	0	353,645	87,645	10,353,650
5	100,000	0	484,763	218,763	10,484,760
6	100,000	0	625,950	373,250	10,625,950
7	100,000	0	774,896	535,496	10,774,900
8	100,000	0	936,862	710,762	10,936,860
9	100,000	0	1,110,196	897,396	11,110,200
10	100,000	0	1,295,223	1,095,723	11,295,220
11	100,000	0	1,489,664	1,310,114	11,489,660
12	100,000	0	1,694,666	1,535,066	11,694,670
13	100,000	0	1,905,707	1,766,056	11,905,710
14	100,000	0	2,122,105	2,002,405	12,122,110
15	100,000	0	2,350,401	2,250,651	12,350,400
16	100,000	0	2,591,727	2,511,927	12,591,730
17	100,000	0	2,844,810	2,784,960	12,844,810
18	100,000	0	3,105,245	3,065,345	13,105,250
19	100,000	0	3,368,462	3,348,511	13,368,460
20	100,000	0	3,632,217	3,632,217	13,632,220
	2,000,000	0			

*This is an example of a "supplemental" life insurance illustration. In actual presentations, this footnote will refer you to an accompanying "basic" illustration from a specific life insurance company.

**A Limited Collateral Assignment Split Dollar Plan
Using
Cash Value Insurance (CVI)**

**Illustration of Values
of
The Policy Used in the Plan**

Presented By: [Licensed user's name appears here]
Date: [Current date appears here]
Values Page: 2

Plan Sponsor: Nathan and Greta Baier
Plan Recipient and Policy Owner: Baier Family Trust
Insureds: Nathan Baier/Greta Baier

	M/F Age 65/60	CVI Interest Rate 10.00%	Initial Payment 100,000	Initial Death Benefit 10,000,000	
Year	(1) Policy Premium	(2) Pre-Tax Policy Cash Flow	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Death Benefit
21	100,000	0	3,895,436	3,895,436	13,895,440
22	100,000	0	4,156,190	4,156,190	14,156,190
23	100,000	0	4,410,735	4,410,735	14,410,740
24	100,000	0	4,653,843	4,653,843	14,653,840
25	100,000	0	4,875,146	4,875,146	14,875,150
26	100,000	0	5,057,769	5,057,769	15,057,770
27	100,000	0	5,182,733	5,182,733	15,182,730
28	100,000	0	5,229,501	5,229,501	15,229,500
29	100,000	0	5,174,070	5,174,069	15,174,070
30	100,000	0	4,978,220	4,978,220	14,978,220

3,000,000	0
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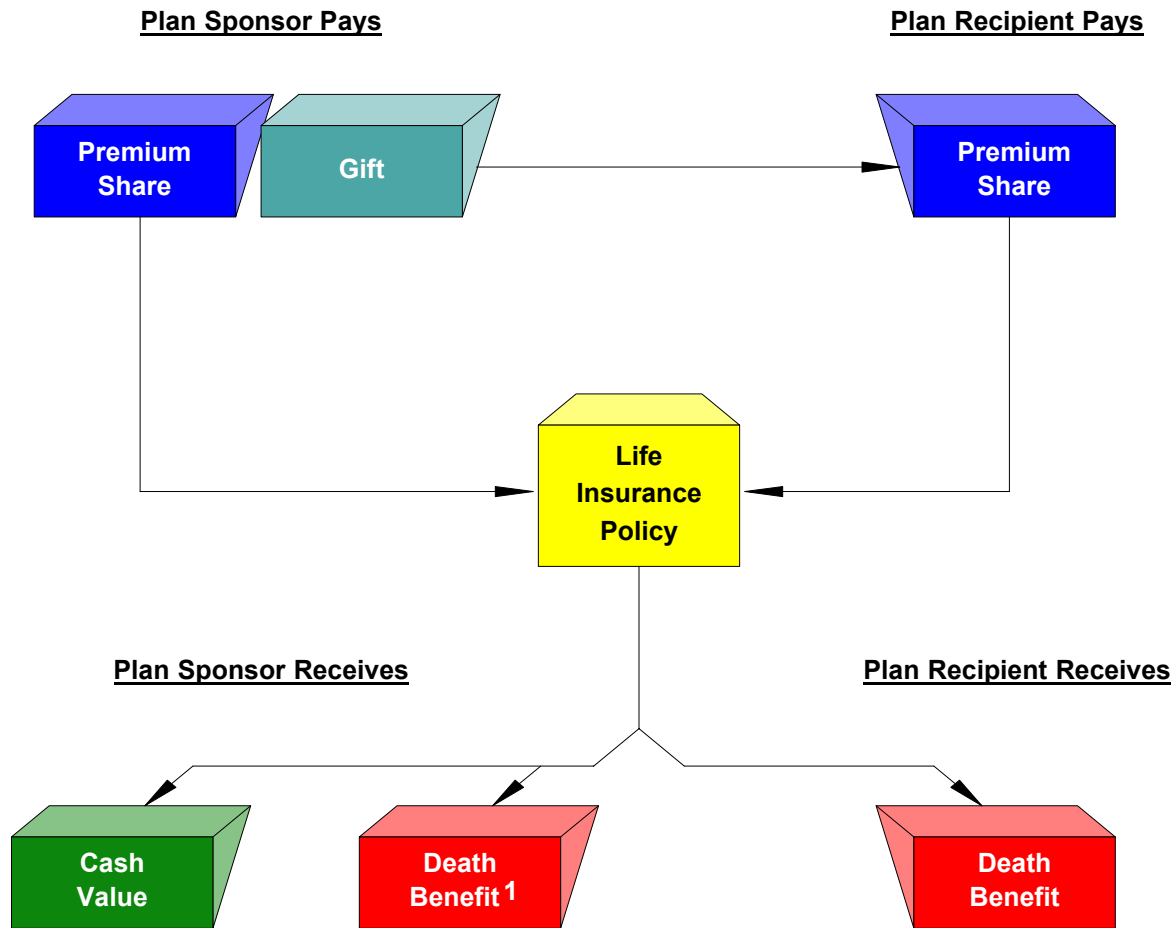
A Limited Collateral Assignment Split Dollar Plan Using Cash Value Insurance (CVI)

Who Pays What - Who Receives What

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

Plan Sponsor: Nathan and Greta Baier
Plan Recipient and Policy Owner: Baier Family Trust
Insureds: Nathan Baier/Greta Baier

Flow Chart Analysis



(1) Equal to remaining balance after Plan Recipient's portion is deducted.

Summary of Costs and Benefits

A Limited Collateral Assignment Split Dollar Plan Using Cash Value Insurance (CVI)

Presented By: [Licensed user's name appears here]
Date: [Current date appears here]
Summary Page: 1

Plan Sponsor: Nathan and Greta Baier
Plan Recipient and Policy Owner: Baier Family Trust
Insureds: Nathan Baier/Greta Baier

Year	Plan Sponsor Nathan and Greta Baier					Plan Recipient and Policy Owner Baier Family Trust	
	(1) Gifts to Plan Recipient	(2) Split Dollar Premium Share	(3) Accum Value*	(4) Cash Value*	(5) Share of Death Benefit	(6) Net Payment**	(7) Share of Death Benefit
			M/F Age 65/60	CVI Interest Rate 10.00%			
1	788	99,212	18,559	0	99,212	0	9,919,348
2	977	99,023	121,111	0	198,235	0	9,922,875
3	1,232	98,768	232,525	0	297,003	0	9,935,527
4	1,568	98,432	353,645	87,645	395,435	0	9,958,215
5	1,994	98,006	484,763	218,763	493,441	0	9,991,319
6	2,524	97,476	625,950	373,250	590,917	0	10,035,033
7	3,174	96,826	774,896	535,496	687,743	0	10,087,157
8	3,966	96,034	936,862	710,762	783,777	0	10,153,083
9	4,883	95,117	1,110,196	897,396	897,396	0	10,212,804
10	5,900	94,100	1,295,223	1,095,723	1,095,723	0	10,199,497
11	7,111	92,889	1,489,664	1,310,114	1,310,114	0	10,179,546
12	8,596	91,404	1,694,666	1,535,066	1,535,066	0	10,159,604
13	10,467	89,533	1,905,707	1,766,056	1,766,056	0	10,139,654
14	12,677	87,323	2,122,105	2,002,405	2,002,405	0	10,119,705
15	15,381	84,619	2,350,401	2,250,651	2,250,651	0	10,099,749
16	18,630	81,370	2,591,727	2,511,927	2,511,927	0	10,079,803
17	22,668	77,332	2,844,810	2,784,960	2,784,960	0	10,059,850
18	27,589	72,411	3,105,245	3,065,345	3,065,345	0	10,039,905
19	33,268	66,732	3,368,462	3,348,511	3,348,511	0	10,019,949
20	40,545	59,455	3,632,217	3,632,217	3,632,217	0	10,000,003
	223,938	1,776,062				0	

*This is an example of a "supplemental" life insurance illustration. In actual presentations, this footnote will refer you to an accompanying "basic" illustration from a specific life insurance company.

**See Plan Recipient's Net Payment Analysis.

Split dollar arrangement presumed terminated in year 30.

Summary of Costs and Benefits

A Limited Collateral Assignment Split Dollar Plan Using Cash Value Insurance (CVI)

Presented By: [Licensed user's name appears here]
Date: [Current date appears here]
Summary Page: 2

Plan Sponsor: Nathan and Greta Baier
Plan Recipient and Policy Owner: Baier Family Trust
Insureds: Nathan Baier/Greta Baier

M/F CVI
Age Interest Rate
65/60 10.00%

Year	Plan Sponsor Nathan and Greta Baier					Plan Recipient and Policy Owner Baier Family Trust	
	(1) Gifts to Plan Recipient	(2) Split Dollar Premium Share	(3) Accum Value*	(4) Cash Value*	(5) Share of Death Benefit	(6) Net Payment**	(7) Share of Death Benefit
21	49,638	50,362	3,895,436	3,895,436	3,895,436	0	10,000,004
22	61,502	38,498	4,156,190	4,156,190	4,156,190	0	10,000,000
23	75,523	24,477	4,410,735	4,410,735	4,410,735	0	10,000,005
24	91,262	8,738	4,653,843	4,653,843	4,653,843	0	9,999,997
25	100,000	0	4,875,146	4,875,146	4,875,146	0	10,000,004
26	100,000	0	5,057,769	5,057,769	5,057,769	0	10,000,001
27	100,000	0	5,182,733	5,182,733	5,182,733	0	9,999,997
28	100,000	0	5,229,501	5,229,501	5,229,501	0	9,999,999
29	100,000	0	5,174,070	5,174,069	5,174,069	0	10,000,001
30	100,000	0	4,978,220	4,978,220	4,978,220	0	10,000,000
	1,101,863	1,898,137				0	

*This is an example of a "supplemental" life insurance illustration. In actual presentations, this footnote will refer you to an accompanying "basic" illustration from a specific life insurance company.

**See Plan Recipient's Net Payment Analysis.

Split dollar arrangement presumed terminated in year 30.

Plan Sponsor's Payment Analysis

A Limited Collateral Assignment Split Dollar Plan Using Cash Value Insurance (CVI)

Presented By: [Licensed user's name appears here]
Date: [Current date appears here]
Plan Sponsor's Page: 1

Plan Sponsor: Nathan and Greta Baier
Plan Recipient and Policy Owner: Baier Family Trust
Insureds: Nathan Baier/Greta Baier

M/F CVI
Age Interest Rate
65/60 10.00%

Year	Plan Sponsor's Gifts		Plan Sponsor's Costs	
	(1) Gifts to Plan Recipient	(2) Cumulative Gifts to Plan Recipient	(3) Split Dollar Premium Share	(4) Cum. Split Dollar Premium Share
1	788	788	99,212	99,212
2	977	1,765	99,023	198,235
3	1,232	2,997	98,768	297,003
4	1,568	4,565	98,432	395,435
5	1,994	6,559	98,006	493,441
6	2,524	9,083	97,476	590,917
7	3,174	12,257	96,826	687,743
8	3,966	16,223	96,034	783,777
9	4,883	21,106	95,117	878,894
10	5,900	27,006	94,100	972,994
11	7,111	34,117	92,889	1,065,883
12	8,596	42,713	91,404	1,157,287
13	10,467	53,180	89,533	1,246,820
14	12,677	65,857	87,323	1,334,143
15	15,381	81,238	84,619	1,418,762
16	18,630	99,868	81,370	1,500,132
17	22,668	122,536	77,332	1,577,464
18	27,589	150,125	72,411	1,649,875
19	33,268	183,393	66,732	1,716,607
20	40,545	223,938	59,455	1,776,062
	223,938		1,776,062	

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Split dollar arrangement presumed terminated in year 30.

Plan Sponsor's Payment Analysis

A Limited Collateral Assignment Split Dollar Plan Using Cash Value Insurance (CVI)

Presented By: [Licensed user's name appears here]
Date: [Current date appears here]
Plan Sponsor's Page: 2

Plan Sponsor: Nathan and Greta Baier
Plan Recipient and Policy Owner: Baier Family Trust
Insureds: Nathan Baier/Greta Baier

M/F CVI
Age Interest Rate
65/60 10.00%

Year	Plan Sponsor's Gifts		Plan Sponsor's Costs	
	(1) Gifts to Plan Recipient	(2) Cumulative Gifts to Plan Recipient	(3) Split Dollar Premium Share	(4) Cum. Split Dollar Premium Share
21	49,638	273,576	50,362	1,826,424
22	61,502	335,078	38,498	1,864,922
23	75,523	410,601	24,477	1,889,399
24	91,262	501,863	8,738	1,898,137
25	100,000	601,863	0	1,898,137
26	100,000	701,863	0	1,898,137
27	100,000	801,863	0	1,898,137
28	100,000	901,863	0	1,898,137
29	100,000	1,001,863	0	1,898,137
30	100,000	1,101,863	0	1,898,137
	1,101,863		1,898,137	

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Split dollar arrangement presumed terminated in year 30.

Plan Recipient's Net Payment Analysis

A Limited Collateral Assignment Split Dollar Plan Using Cash Value Insurance (CVI)

Presented By: [Licensed user's name appears here]
Date: [Current date appears here]
Plan Recipient's Page: 1

Plan Sponsor: Nathan and Greta Baier
Plan Recipient and Policy Owner: Baier Family Trust
Insureds: Nathan Baier/Greta Baier

M/F
Age
65/60

Net Payment Analysis				
Year	(1) Plan Recipient's Split Dollar Premium Share	(2) Gift from Plan Sponsor	(3) Plan Recipient's Split Dollar Net Payment (1)-(2)	(4) Plan's Additional Imputed Gift Valuation
1	788	788	0	0
2	977	977	0	0
3	1,232	1,232	0	0
4	1,568	1,568	0	0
5	1,994	1,994	0	0
6	2,524	2,524	0	0
7	3,174	3,174	0	0
8	3,966	3,966	0	0
9	4,883	4,883	0	0
10	5,900	5,900	0	0
11	7,111	7,111	0	0
12	8,596	8,596	0	0
13	10,467	10,467	0	0
14	12,677	12,677	0	0
15	15,381	15,381	0	0
16	18,630	18,630	0	0
17	22,668	22,668	0	0
18	27,589	27,589	0	0
19	33,268	33,268	0	0
20	40,545	40,545	0	0
	223,938	223,938	0	0

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Assuming column (1) offsets the economic benefit for gift valuation, column (4) is this plan's additional imputed gift. (U.S. 38 rate calculation (Table 2001 based).)

Plan Recipient's Net Payment Analysis

A Limited Collateral Assignment Split Dollar Plan Using Cash Value Insurance (CVI)

Presented By: [Licensed user's name appears here]
Date: [Current date appears here]
Plan Recipient's Page: 2

Plan Sponsor: Nathan and Greta Baier
Plan Recipient and Policy Owner: Baier Family Trust
Insureds: Nathan Baier/Greta Baier

M/F
Age
65/60

Net Payment Analysis				
Year	(1) Plan Recipient's Split Dollar Premium Share	(2) Gift from Plan Sponsor	(3) Plan Recipient's Split Dollar Net Payment (1)-(2)	(4) Plan's Additional Imputed Gift Valuation
21	49,638	49,638	0	0
22	61,502	61,502	0	0
23	75,523	75,523	0	0
24	91,262	91,262	0	0
25	100,000	100,000	0	9,867
26	100,000	100,000	0	31,283
27	100,000	100,000	0	58,354
28	100,000	100,000	0	90,957
29	100,000	100,000	0	132,857
30	100,000	100,000	0	182,631
	1,101,863	1,101,863	0	505,949

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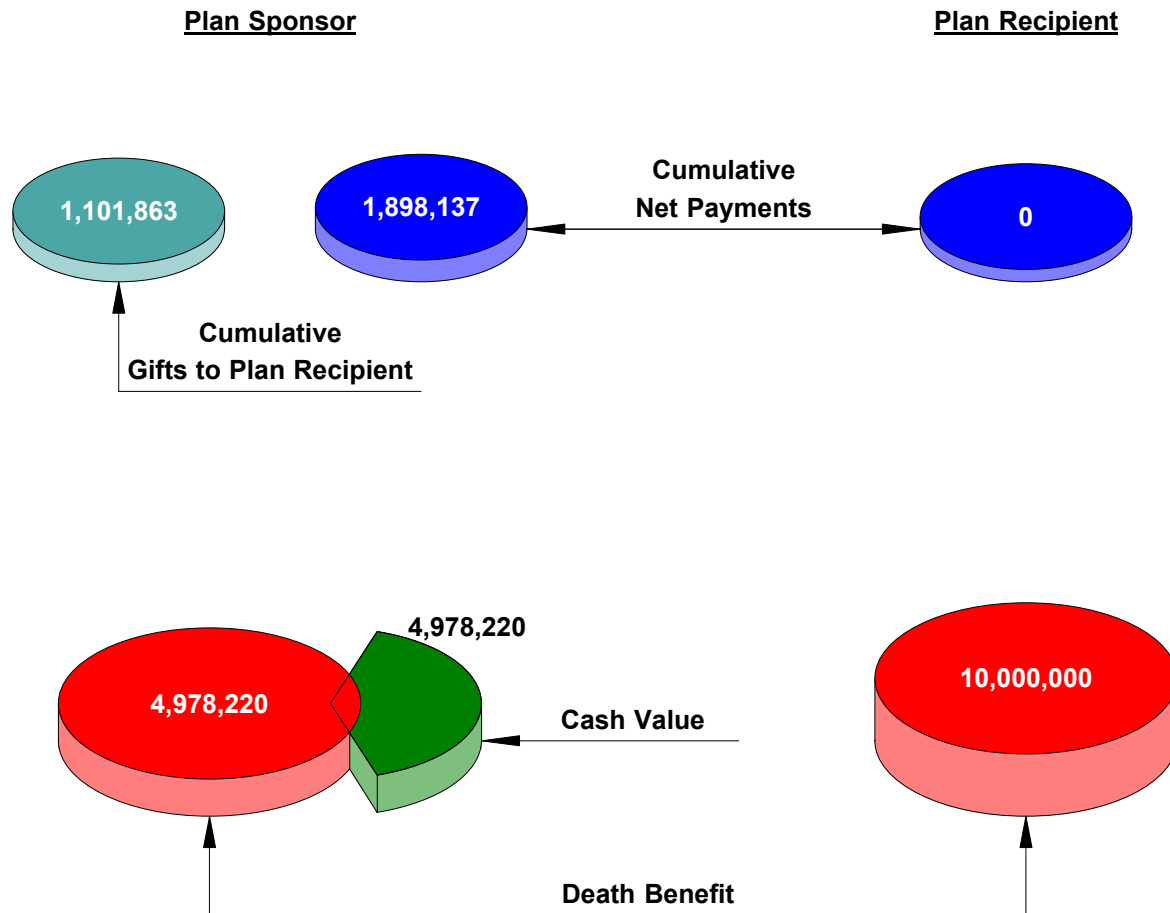
Assuming column (1) offsets the economic benefit for gift valuation, column (4) is this plan's additional imputed gift. (U.S. 38 rate calculation (Table 2001 based).)

A Limited Collateral Assignment Split Dollar Plan Using Cash Value Insurance (CVI)

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Date: [Current date appears here]

Plan Sponsor: Nathan and Greta Baier
Plan Recipient and Policy Owner: Baier Family Trust
Insureds: Nathan Baier/Greta Baier

30th Year Summary Analysis



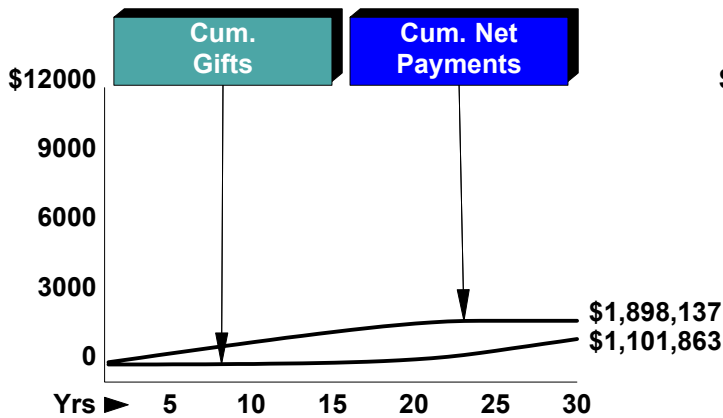
A Limited Collateral Assignment Split Dollar Plan Using Cash Value Insurance (CVI)

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

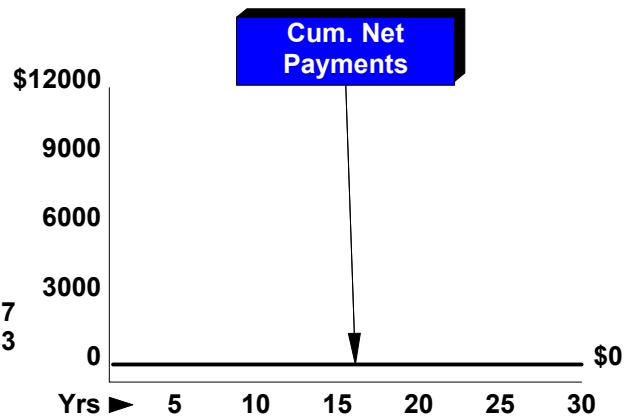
Plan Sponsor: Nathan and Greta Baier
Plan Recipient and Policy Owner: Baier Family Trust
Insureds: Nathan Baier/Greta Baier

30 Year Graphic Analysis

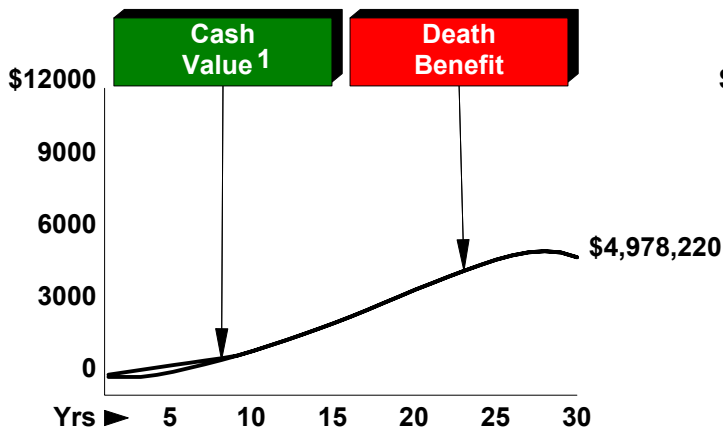
Plan Sponsor's Payments



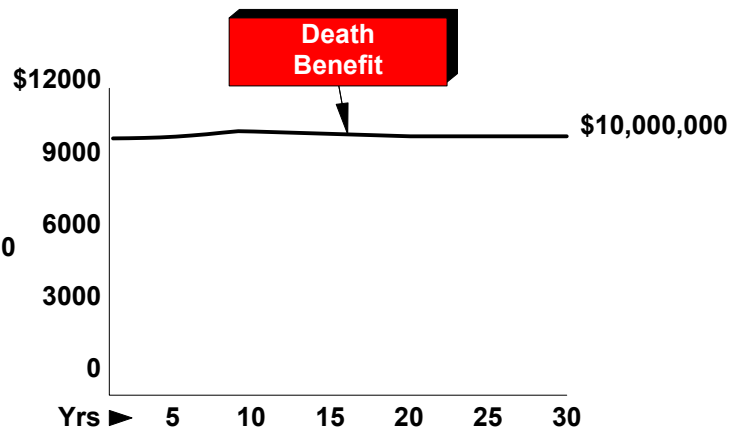
Plan Recipient's Payments



Plan Sponsor's Values



Plan Recipient's Values



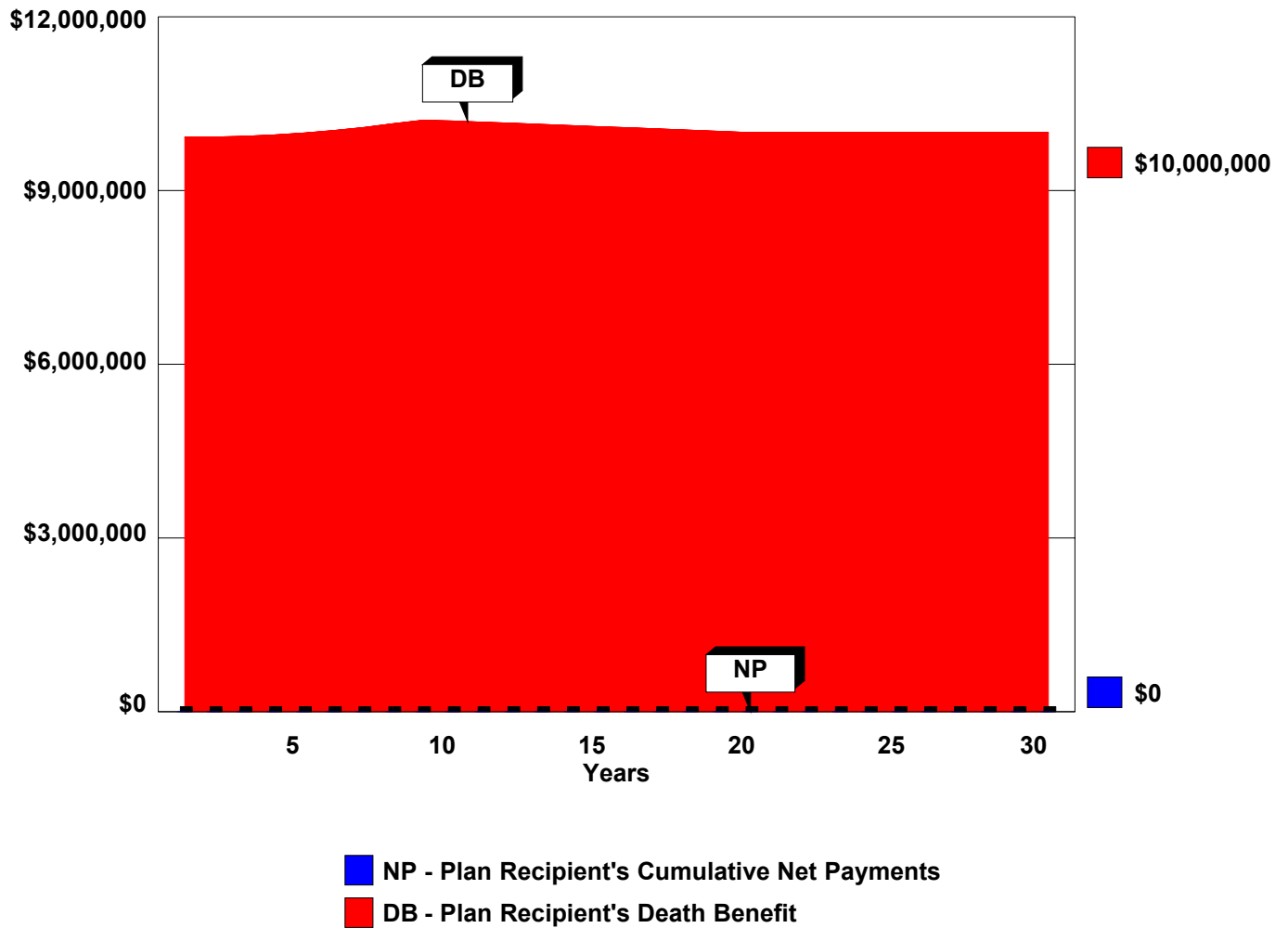
(1) Plan Sponsor cash value equal to Plan Sponsor death benefit in year 9 and thereafter.

A Limited Collateral Assignment Split Dollar Plan Using Cash Value Insurance (CVI)

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

Plan Sponsor: Nathan and Greta Baier
Plan Recipient and Policy Owner: Baier Family Trust
Insureds: Nathan Baier/Greta Baier

Plan Recipient's 30 Year Graphic Analysis

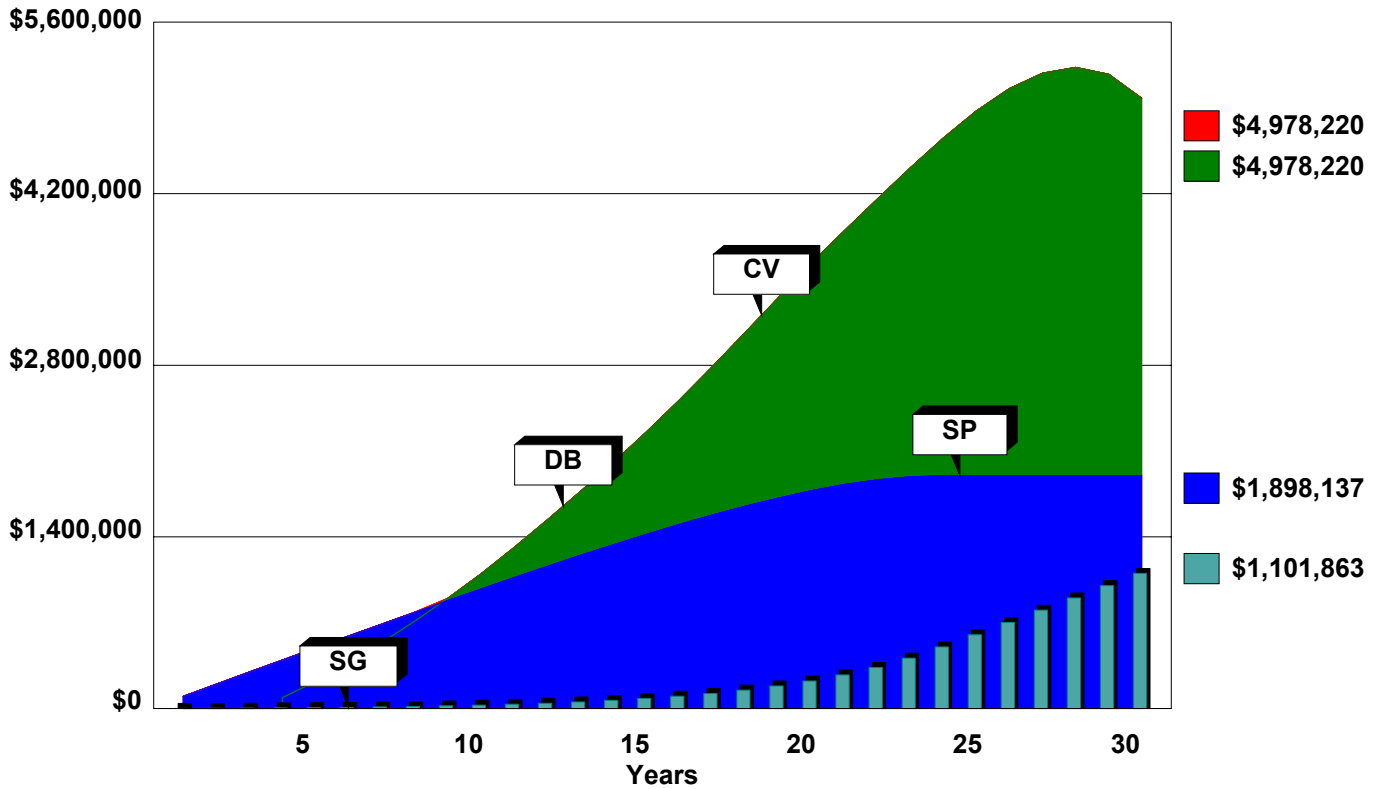


A Limited Collateral Assignment Split Dollar Plan Using Cash Value Insurance (CVI)

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

Plan Sponsor: Nathan and Greta Baier
Plan Recipient and Policy Owner: Baier Family Trust
Insureds: Nathan Baier/Greta Baier

Plan Sponsor's 30 Year Graphic Analysis



- SG - Plan Sponsor's Cumulative Gifts
- SP - Plan Sponsor's Cumulative Net Payments
- CV - Plan Sponsor's Cash Value
- DB - Plan Sponsor's Death Benefit
(DB equals CV in year 9 and thereafter.)