

# **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 Variable Survivor Life (VSL)

## 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	VSL 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
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 an InsMark "supplemental" illustration for variable survivor universal life. For an actual presentation, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company and a prospectus.

# A Limited Collateral Assignment Split Dollar Plan Using Variable Survivor Life (VSL)

## 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	VSL 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
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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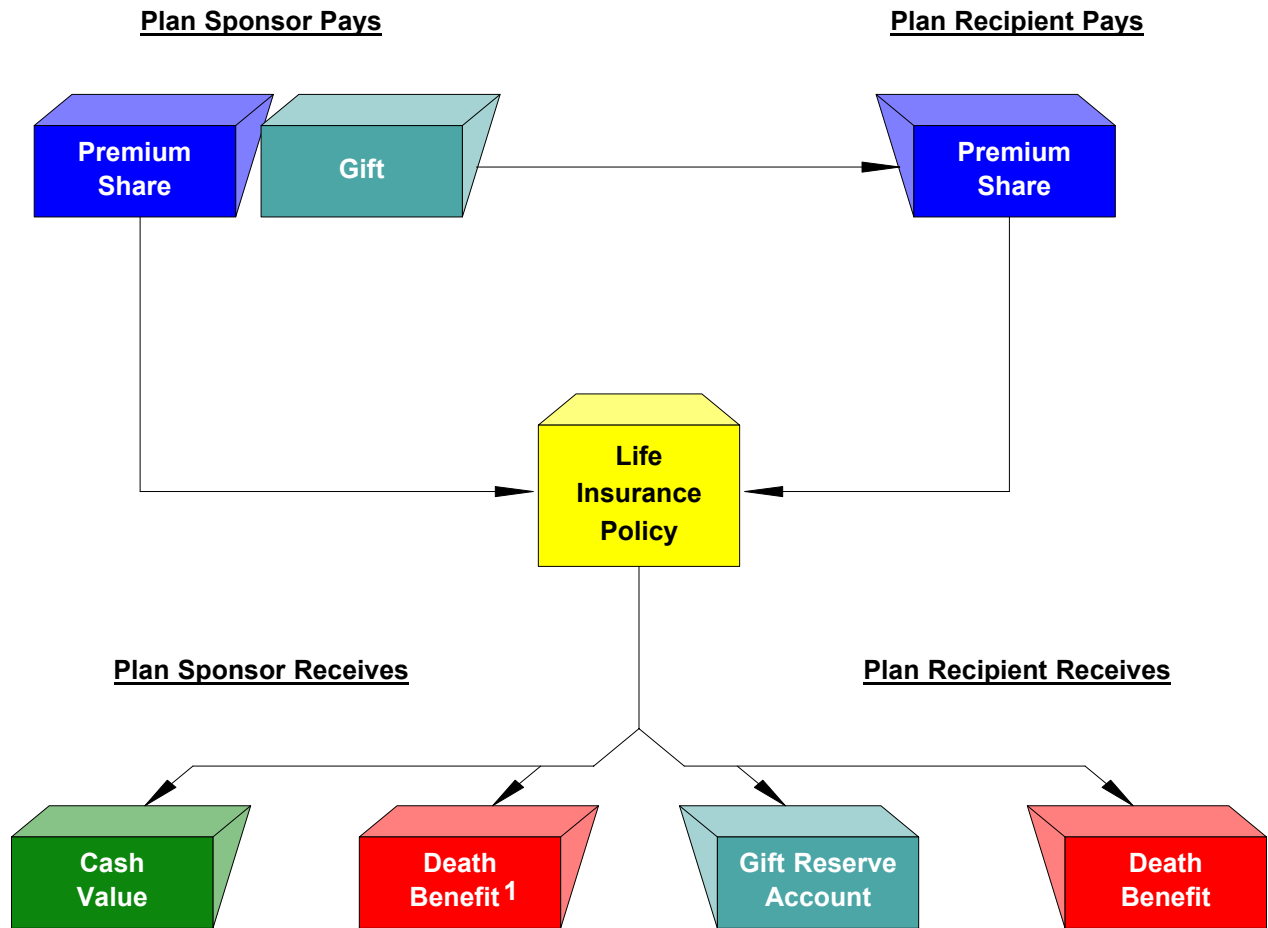
# A Limited Collateral Assignment Split Dollar Plan Using Variable Survivor Life (VSL)

## 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 Variable Survivor Life (VSL)

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) Gift Reserve Account	(8) Share of Death Benefit
				M/F Age 65/60	VSL Interest Rate 10.00%			
1	36,729	99,212	18,559	0	99,212	0	35,941	9,919,348
2	36,729	99,023	121,111	0	198,235	0	71,693	9,922,875
3	36,729	98,768	232,525	0	297,003	0	107,190	9,935,527
4	36,729	98,432	353,645	87,645	395,435	0	142,351	9,958,215
5	36,729	98,006	484,763	218,763	493,441	0	177,086	9,991,319
6	36,729	97,476	625,950	373,250	590,917	0	211,291	10,035,033
7	36,729	96,826	774,896	535,496	687,743	0	244,846	10,087,157
8	36,729	96,034	936,862	710,762	783,777	0	277,609	10,153,083
9	36,729	95,117	1,110,196	897,396	897,396	0	309,455	10,212,804
10	36,729	94,100	1,295,223	1,095,723	1,095,723	0	340,284	10,199,497
11	36,729	92,889	1,489,664	1,310,114	1,310,114	0	369,902	10,179,546
12	36,729	91,404	1,694,666	1,535,066	1,535,066	0	398,035	10,159,604
13	36,729	89,533	1,905,707	1,766,056	1,766,056	0	424,297	10,139,654
14	36,729	87,323	2,122,105	2,002,405	2,002,405	0	448,349	10,119,705
15	36,729	84,619	2,350,401	2,250,651	2,250,651	0	469,697	10,099,749
16	36,729	81,370	2,591,727	2,511,927	2,511,927	0	487,796	10,079,803
17	36,729	77,332	2,844,810	2,784,960	2,784,960	0	501,857	10,059,850
18	36,729	72,411	3,105,245	3,065,345	3,065,345	0	510,997	10,039,905
19	36,729	66,732	3,368,462	3,348,511	3,348,511	0	514,458	10,019,949
20	36,729	59,455	3,632,217	3,632,217	3,632,217	0	510,642	10,000,003
	734,580	1,776,062				0		

\*This is an example of an InsMark "supplemental" illustration for variable survivor universal life. For an actual presentation, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company and a prospectus.

\*\*See Plan Recipient's Gift Reserve Account and Net Payment Analysis.

Split dollar arrangement presumed terminated in year 30.

## Summary of Costs and Benefits

### A Limited Collateral Assignment Split Dollar Plan Using Variable Survivor Life (VSL)

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

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) Gift Reserve Account	(8) Share of Death Benefit
				M/F Age 65/60	VSL Interest Rate 10.00%			
21	36,729	50,362	3,895,436	3,895,436	3,895,436	0	497,733	10,000,004
22	36,729	38,498	4,156,190	4,156,190	4,156,190	0	472,960	10,000,000
23	36,729	24,477	4,410,735	4,410,735	4,410,735	0	434,166	10,000,005
24	36,729	8,738	4,653,843	4,653,843	4,653,843	0	379,633	9,999,997
25	36,729	0	4,875,146	4,875,146	4,875,146	0	316,362	10,000,004
26	36,729	0	5,057,769	5,057,769	5,057,769	0	253,091	10,000,001
27	36,729	0	5,182,733	5,182,733	5,182,733	0	189,820	9,999,997
28	36,729	0	5,229,501	5,229,501	5,229,501	0	126,549	9,999,999
29	36,729	0	5,174,070	5,174,069	5,174,069	0	63,278	10,000,001
30	36,729	0	4,978,220	4,978,220	4,978,220	0	7	10,000,000
	1,101,870	1,898,137				0		

\*This is an example of an InsMark "supplemental" illustration for variable survivor universal life. For an actual presentation, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company and a prospectus.

\*\*See Plan Recipient's Gift Reserve Account and Net Payment Analysis.

Split dollar arrangement presumed terminated in year 30.

## Plan Sponsor's Payment Analysis

### A Limited Collateral Assignment Split Dollar Plan Using Variable Survivor Life (VSL)

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                  VSL  
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	36,729	36,729	99,212	99,212
2	36,729	73,458	99,023	198,235
3	36,729	110,187	98,768	297,003
4	36,729	146,916	98,432	395,435
5	36,729	183,645	98,006	493,441
6	36,729	220,374	97,476	590,917
7	36,729	257,103	96,826	687,743
8	36,729	293,832	96,034	783,777
9	36,729	330,561	95,117	878,894
10	36,729	367,290	94,100	972,994
11	36,729	404,019	92,889	1,065,883
12	36,729	440,748	91,404	1,157,287
13	36,729	477,477	89,533	1,246,820
14	36,729	514,206	87,323	1,334,143
15	36,729	550,935	84,619	1,418,762
16	36,729	587,664	81,370	1,500,132
17	36,729	624,393	77,332	1,577,464
18	36,729	661,122	72,411	1,649,875
19	36,729	697,851	66,732	1,716,607
20	36,729	734,580	59,455	1,776,062
	734,580		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 Variable Survivor Life (VSL)

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                  VSL  
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	36,729	771,309	50,362	1,826,424
22	36,729	808,038	38,498	1,864,922
23	36,729	844,767	24,477	1,889,399
24	36,729	881,496	8,738	1,898,137
25	36,729	918,225	0	1,898,137
26	36,729	954,954	0	1,898,137
27	36,729	991,683	0	1,898,137
28	36,729	1,028,412	0	1,898,137
29	36,729	1,065,141	0	1,898,137
30	36,729	1,101,870	0	1,898,137
	1,101,870		1,898,137	

\*This is an example of an InsMark "supplemental" illustration for variable survivor universal life. For an actual presentation, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company and a prospectus.

Split dollar arrangement presumed terminated in year 30.

# Plan Recipient's Gift Reserve Account and Net Payment Analysis

## A Limited Collateral Assignment Split Dollar Plan Using Variable Survivor Life (VSL)

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

Year	Gift Reserve Account Analysis					Net Payment Analysis		
	(1) Gift from Plan Sponsor	(2) Portion of Gift Used by Plan Recipient in Current Year*	(3) Portion of Gift to Reserve Account (1)-(2)	(4) Plan Recipient's Withdrawal from Gift Reserve Account*	(5) Balance in Gift Reserve Account	(6) Plan Recipient's Split Dollar Premium Share	(7) Plan Recipient's Split Dollar Net Payment (6)-(2)-(4)	(8) Plan's Additional Imputed Gift Valuation
1	36,729	788	35,941	0	35,941	788	0	0
2	36,729	977	35,752	0	71,693	977	0	0
3	36,729	1,232	35,497	0	107,190	1,232	0	0
4	36,729	1,568	35,161	0	142,351	1,568	0	0
5	36,729	1,994	34,735	0	177,086	1,994	0	0
6	36,729	2,524	34,205	0	211,291	2,524	0	0
7	36,729	3,174	33,555	0	244,846	3,174	0	0
8	36,729	3,966	32,763	0	277,609	3,966	0	0
9	36,729	4,883	31,846	0	309,455	4,883	0	0
10	36,729	5,900	30,829	0	340,284	5,900	0	0
11	36,729	7,111	29,618	0	369,902	7,111	0	0
12	36,729	8,596	28,133	0	398,035	8,596	0	0
13	36,729	10,467	26,262	0	424,297	10,467	0	0
14	36,729	12,677	24,052	0	448,349	12,677	0	0
15	36,729	15,381	21,348	0	469,697	15,381	0	0
16	36,729	18,630	18,099	0	487,796	18,630	0	0
17	36,729	22,668	14,061	0	501,857	22,668	0	0
18	36,729	27,589	9,140	0	510,997	27,589	0	0
19	36,729	33,268	3,461	0	514,458	33,268	0	0
20	36,729	36,729	0	3,816	510,642	40,545	0	0
	734,580	220,122	514,458	3,816		223,938	0	0

\*For premium payment.

\*\*This is an example of an InsMark "supplemental" illustration for variable survivor universal life. For an actual presentation, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company and a prospectus.

Assuming column (6) offsets the economic benefit for gift valuation, column (8) is this plan's additional imputed gift. (U.S. 38 rate calculation (Table 2001 based).)

# Plan Recipient's Gift Reserve Account and Net Payment Analysis

## A Limited Collateral Assignment Split Dollar Plan Using Variable Survivor Life (VSL)

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

Year	Gift Reserve Account Analysis					Net Payment Analysis		
	(1) Gift from Plan Sponsor	(2) Portion of Gift Used by Plan Recipient in Current Year*	(3) Portion of Gift to Reserve Account (1)-(2)	(4) Plan Recipient's Withdrawal from Gift Reserve Account*	(5) Balance in Gift Reserve Account	(6) Plan Recipient's Split Dollar Premium Share	(7) Plan Recipient's Split Dollar Net Payment (6)-(2)-(4)	(8) Plan's Additional Imputed Gift Valuation
21	36,729	36,729	0	12,909	497,733	49,638	0	0
22	36,729	36,729	0	24,773	472,960	61,502	0	0
23	36,729	36,729	0	38,794	434,166	75,523	0	0
24	36,729	36,729	0	54,533	379,633	91,262	0	0
25	36,729	36,729	0	63,271	316,362	100,000	0	9,867
26	36,729	36,729	0	63,271	253,091	100,000	0	31,283
27	36,729	36,729	0	63,271	189,820	100,000	0	58,354
28	36,729	36,729	0	63,271	126,549	100,000	0	90,957
29	36,729	36,729	0	63,271	63,278	100,000	0	132,857
30	36,729	36,729	0	63,271	7	100,000	0	182,631
	<u>1,101,870</u>	<u>587,412</u>	<u>514,458</u>	<u>514,451</u>		<u>1,101,863</u>	<u>0</u>	<u>505,949</u>

\*For premium payment.

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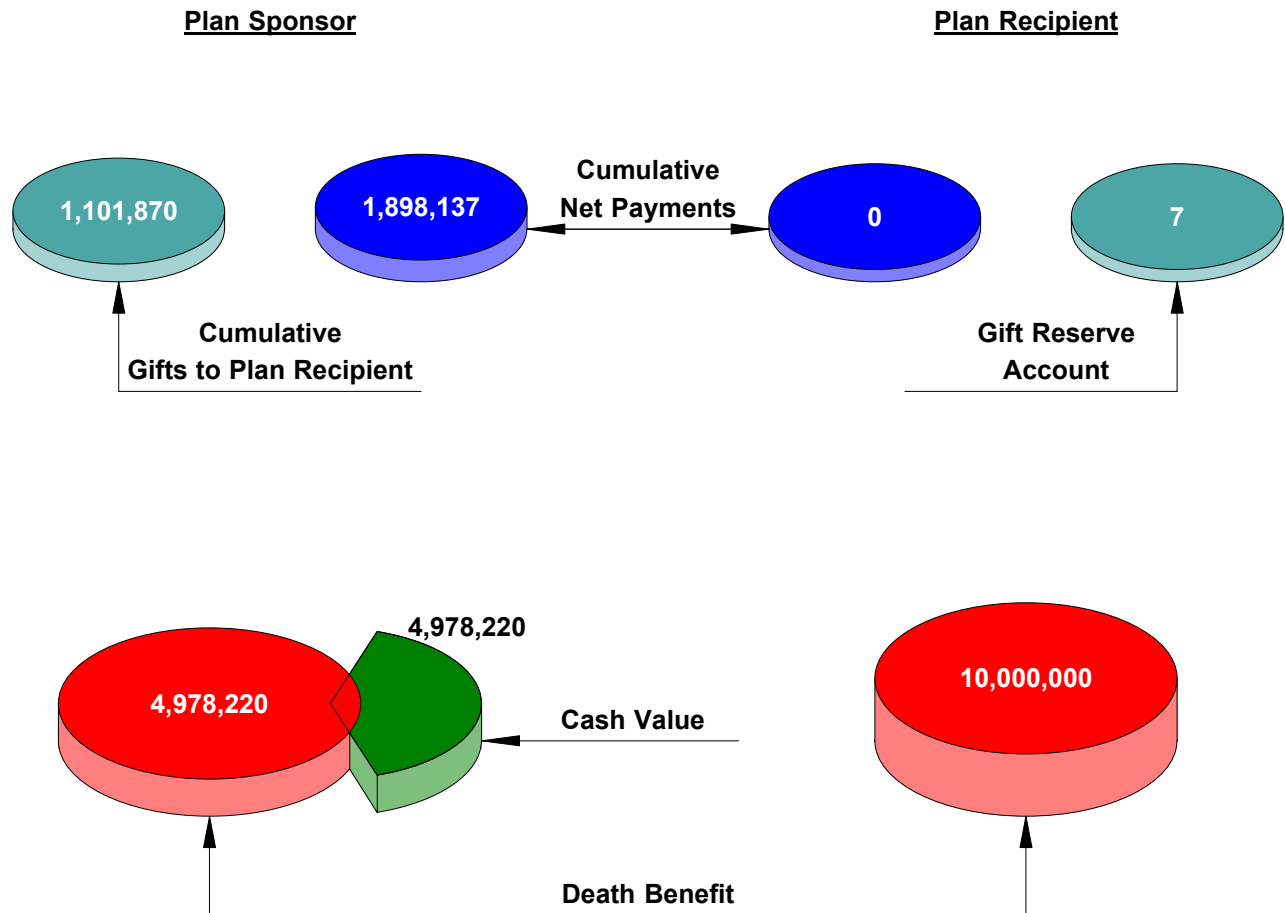
Assuming column (6) offsets the economic benefit for gift valuation, column (8) is this plan's additional imputed gift. (U.S. 38 rate calculation (Table 2001 based).)

# A Limited Collateral Assignment Split Dollar Plan Using Variable Survivor Life (VSL)

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

## 30th Year Summary Analysis



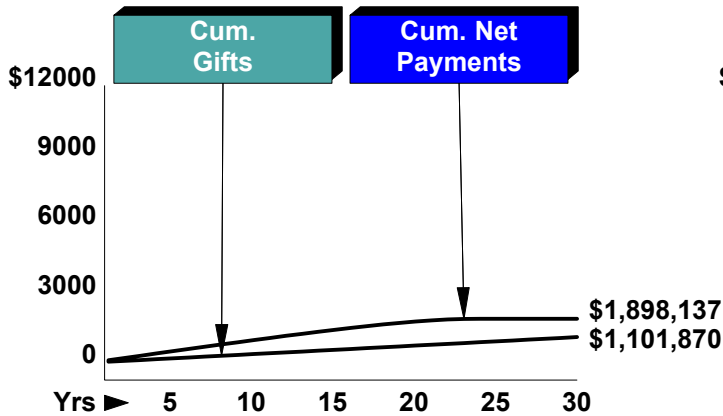
# A Limited Collateral Assignment Split Dollar Plan Using Variable Survivor Life (VSL)

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

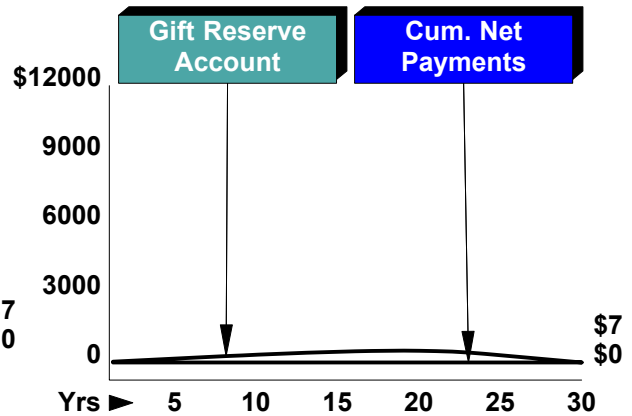
Plan Sponsor: Nathan and Greta Baier  
Plan Recipient and Policy Owner: Baier Family Trust  
Insureds: Nathan Baier/Greta Baier

## 30 Year Graphic Analysis

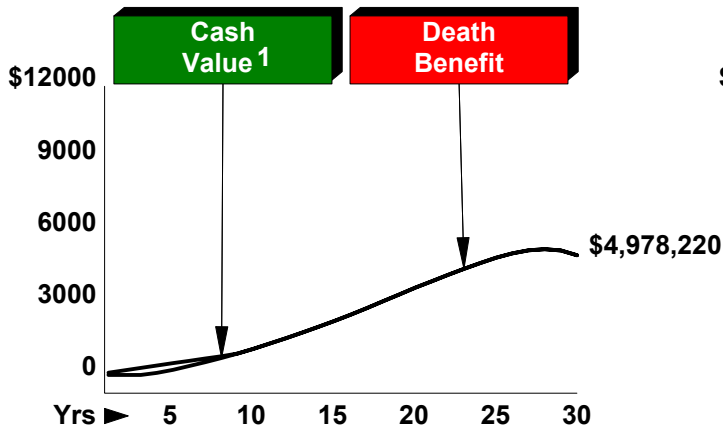
**Plan Sponsor's Payments**



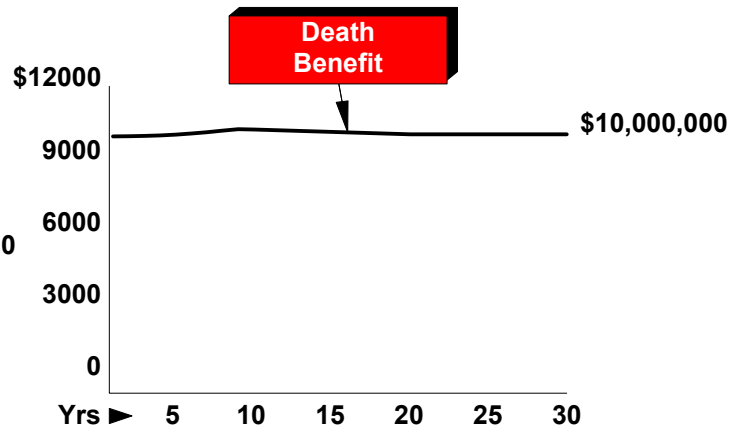
**Plan Recipient's Payments**



**Plan Sponsor's Values**



**Plan Recipient's Values**



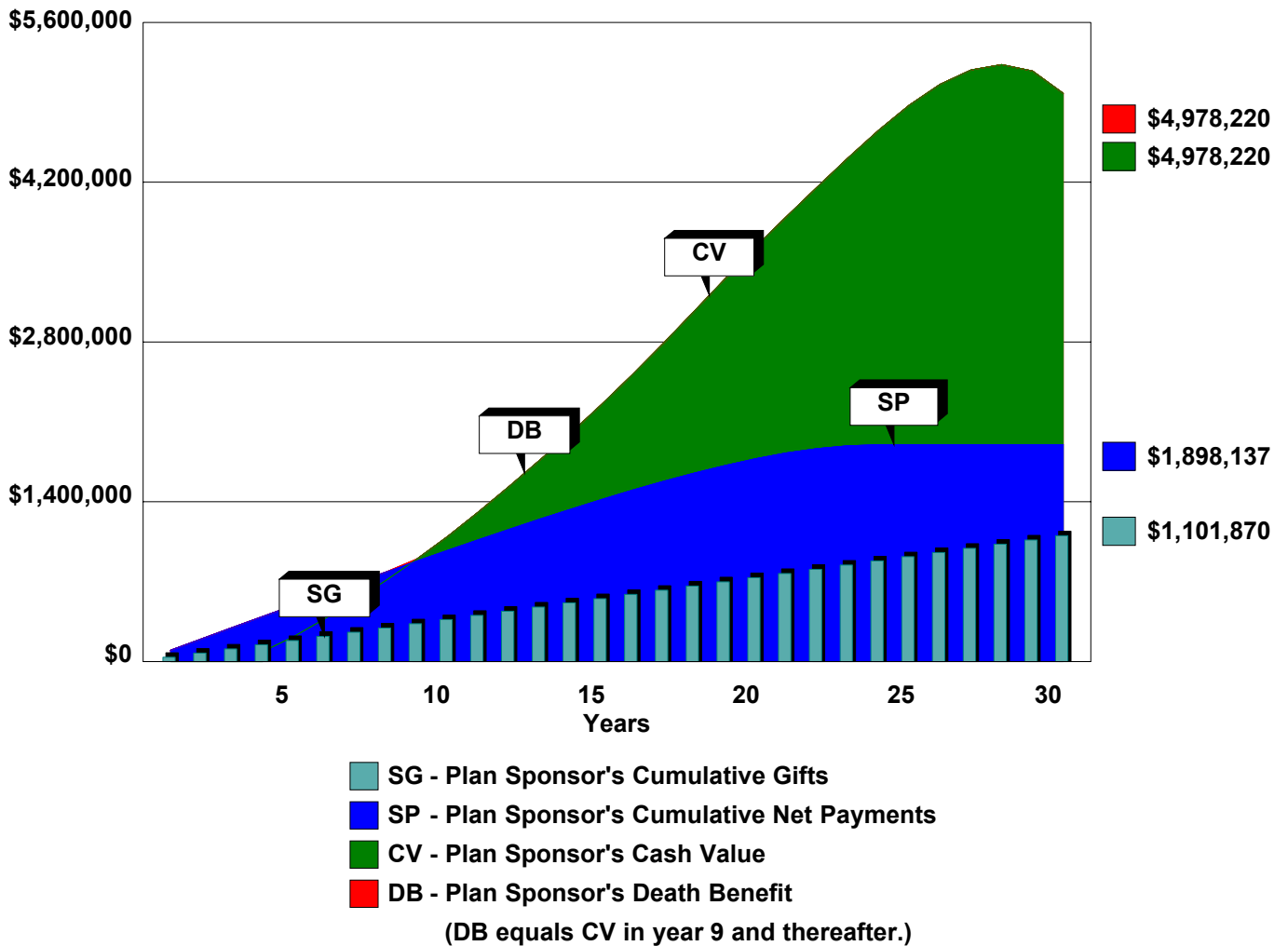
(1) Plan Sponsor cash value equal to Plan Sponsor death benefit in year 9 and thereafter.

# A Limited Collateral Assignment Split Dollar Plan Using Variable Survivor Life (VSL)

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

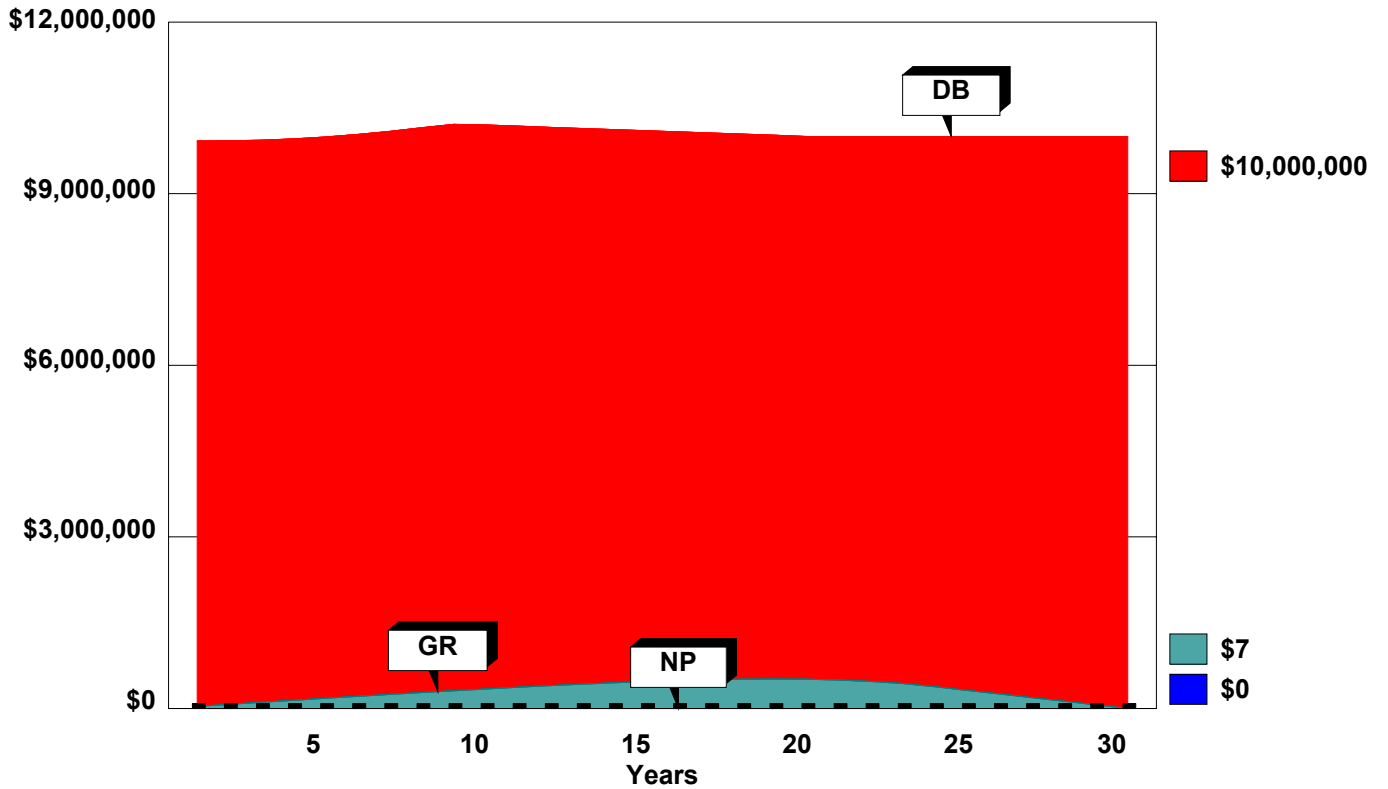


# A Limited Collateral Assignment Split Dollar Plan Using Variable Survivor Life (VSL)

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



- NP - Plan Recipient's Cumulative Net Payments
- GR - Gift Reserve Account
- DB - Plan Recipient's Death Benefit