

## Shared-Cost Plan

If you do not offer group life insurance as a benefit – or if you would like to provide more than basic group coverage for selected employees – a shared-cost plan may offer a solution that is both cost-effective and tax-efficient. Today's permanent life insurance policies offer a wide selection of cash value investment choices, including stock-based subaccounts, indexed funds and traditional bond investments.

### How It Works

Under a shared-cost or "split-dollar" plan, premium payments, policy cash value and death benefits are divided between the employer and employee. Almost any variation of payment and benefit split can be designed.

For example, your company could pay the entire premium amount for a permanent life insurance policy owned by the employee. Upon surrender of the policy, upon termination of the share-cost agreement, or at the employee's death, your company would recover its total premiums paid. Each year, the employee would pay tax only on the term insurance value of the coverage provided, rather than on the entire premium amount.

As an incentive for a key employee to remain with your company, you could choose to waive the employee's repayment obligation after a specific time period-for example, after 15 years of service.

### Advantages For The Employee

- Permanent life insurance protection at a greatly reduced out-of-pocket cost.
- Plan can be used to fund a buy-sell agreement.
- Plan can be structured to provide a deferred compensation benefit.

### Advantages For The Employer

- Can access policy cash value for corporate expenditures or loan collateral.\*\*
- Can be highly selective in choosing employees to be covered.
- Plan can allow repayment of all employer contributions.
- No IRS pre-approval required.

*\*\*Withdrawals and loans will affect policy values and death benefits and may have income tax consequences to the policyholder.*