Positioning An Ideal Plan For Business Owners

Recent tax changes allow most business owners and their key employees to benefit from increased life insurance coverage "inside" their taxable estate. Ideally, they would use business dollars to pay for it. Most producers understand §162 plans, but would prefer a plan with better economics and features for both employers and key employees.

LifeComp® DollarFlex is a nonqualified, selective retirement supplement that is an alternative to expensive government regulated plans that must include all employees.

- It is a joint ownership arrangement between the employer and key employee utilizing loan regime split dollar. The loan interest is bonused to the employee, who pays the tax out-of-pocket
- Imputed loan interest rate is currently 0.40%

Producers and clients alike quickly grasp DollarFlex when we utilize design methods which feature a *delayed* "crawl out": Between 1-10 years before retirement the employee receives additional bonuses for the "crawl out" to repay the employer for all premiums paid. The employee pays the tax out-of-pocket *or from the policy values*.

Upon retirement policy loans may be used to supplement retirement income.

With §162 plans, the employee's out-of-pocket cost is their income tax on the full annual premium bonus, whereas with DollarFlex, only the relatively small loan interest bonus and later "crawl out" bonuses are taxable. Furthermore, with DollarFlex, it can be years before the employee's costs "crossover" S162 plans. This potentially means a far greater ROR on cash values than with §162.

Conclusion: We believe DollarFlex is superior to §162 for employees and, as the following chart illustrates, for employers as well.

Employer Features	§162 Plan	DollarFlex
Policy jointly-owned pre-retirement	No	Yes
Bookable asset	No	Yes
Premium Cost Recovery	No	Yes
Deductions (§162)	Yes	Yes
Control	Good	Stronger
Optional built in Key Person Insurance	No	Yes

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