

# Executive Life Insurance Split Dollar

Executive life insurance plans provide HCEs the coverage they need beyond the group term plan limits.

Often portable, executives appreciate locking in coverage they can keep throughout their careers and into retirement.



**Richard Wehmeier**  
Executive Vice President &  
Principal Managing Director  
404.504.3834  
richard.wehmeier@balsler.com



## Executive Life Insurance Provides Solutions

Supplemental life insurance benefits help companies address group life insurance restrictions and portability limitations. Although endorsement the split dollar life insurance technique is perhaps the most complicated option, it should not necessarily be ruled out in every situation in favor of Section 162 Bonus, Death Benefit, and Group Term Insurance programs.

The “split” in split dollar means the company and executive share the cost as well as the benefits of a cash value life insurance policy. The company pays insurance premiums into a company-owned policy. The death benefit is provided to the employee’s beneficiary through an agreement that endorses a portion of the benefit to the beneficiaries designated by the executive. This agreement can be maintained post-retirement for the life of the insured executive.

Since executive life insurance plans are nonqualified benefits, premiums aren't a tax deductible expense to the employer like they are for qualified group life plans. The employee pays tax based on imputed income table rates, and the death benefit is received tax free by the beneficiaries. That arrangement makes split dollar executive life insurance cost-efficient for the company and for the executives.

### Employer benefits

- Company recovers premiums
- Company selects which executives participate
- Company can terminate the plan at any time

### Employee benefits

- Employee’s beneficiaries receive benefit tax free
- The benefit may be removed from the estate, and the related taxes
- Cost of imputed income is less than taxes on the 162

# Executive Life Insurance | Custom Designs

## 162 Bonus Alternative

With the 162 Bonus design, the company pays the executive a bonus and the executive uses the bonus to pay insurance premiums into a policy that is owned by the executive. Any amount of premium paid above the required cost of coverage is directed into a selection of investment funds to build cash value in the policy– which grows tax deferred. Section 162 bonus doesn't impose any restrictions on the employee. Technically, while the company recommends the bonus be used for life insurance, ultimately, the employee chooses whether or not the bonus payment will be made to the insurance program.

Premiums are tax deductible under Section 162 of the IRS Code to the corporation. The company-paid premium is considered taxable income to the executive. Policy cash value grows tax deferred and the death benefit is tax free. Post-retirement, the policy remains in force and no further premiums are needed.

## Simple Death Benefit Alternative

Sometimes keeping benefit plans simple is the best solution. Weighing the advantages of different approaches to executive life insurance can result in finding the “best-fit” program for your company. A straight-forward Death Benefit life insurance plan may be the right answer.

