

## **Private Split Dollar (Equity Variation)**

### **The Plan Description**

Of all the strategies used by parents or grandparents (referred to below as the "Plan Sponsor") to offset the costs associated with settlement of their estates, this variation of a Private Split Dollar Plan is one of the most efficient.

With this plan, the insured Plan Sponsor pays a substantial share of the premiums for a cash value life insurance policy owned by a child or grandchild (referred to below as the "Plan Recipient"). In some cases, the Plan Recipient may be an irrevocable trust established for the benefit of the children or grandchildren.

The policy is owned by the Plan Recipient; however, a portion of the policy's cash values and death benefits are retained by the Plan Sponsor equal to his/her cumulative premium payments. All remaining cash values and death benefits are the property of the Plan Recipient.

The Plan Recipient is expected to pay a portion of the plan costs, and these payments are pegged to IRS-approved rate tables so that no gift imputation is associated with the transaction. In the accompanying presentation, gifts from the Plan Sponsor are illustrated in order to fund the Plan Recipient's schedule of payments.

The two main purposes of this Private Split Dollar arrangement are to: 1) Offset estate settlement costs due at the death of the Plan Sponsor by providing the Plan Recipient with large amounts of low cost life insurance on the life of the Plan Sponsor, and 2) Provide the Plan Sponsor with an interest in the plan equal to the dollars expended for his/her portion of the plan's premiums.

This strategy generates a program that should be virtually irresistible to a Plan Sponsor interested in furthering the financial well-being of the Plan Recipient.

**A Private Equity 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: 07/31/2001  
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	
	(1) Policy Premium	(2) Pre-Tax Policy Cash Flow	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Death Benefit
Year					
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 Private Equity 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: 07/31/2001  
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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# Summary of Costs and Benefits

## A Private Equity Split Dollar Plan Using Variable Survivor Life (VSL)

Presented By: [Licensed user's name appears here]  
Date: 07/31/2001  
Summary 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%

Year	Plan Sponsor Nathan and Greta Baier				Plan Recipient and Policy Owner Baier Family Trust				
	(1) Gifts to Plan Recipient	(2) Split Dollar Net Payment	(3) Share of Cash Value*	(4) Share of Death Benefit	(5) Net Payment**	(6) Gift Reserve Account	(7) Share of Accum Value*	(8) Share of Cash Value*	(9) Share of Death Benefit
1	40,293	99,212	0	99,212	0	41,480	0	0	9,919,348
2	40,293	99,023	0	198,235	0	84,836	0	0	9,922,875
3	40,293	98,768	0	297,003	0	130,092	0	0	9,935,527
4	40,293	98,432	87,645	395,435	0	177,258	0	0	9,958,215
5	40,293	98,006	218,763	493,441	0	226,335	0	0	9,991,319
6	40,293	97,476	373,250	590,917	0	277,309	35,033	0	10,035,033
7	40,293	96,826	535,496	687,743	0	330,149	87,153	0	10,087,157
8	40,293	96,034	710,762	783,777	0	384,800	153,085	0	10,153,083
9	40,293	95,108	878,885	878,885	0	441,211	231,311	18,511	10,231,315
10	40,293	94,029	972,914	972,914	0	499,310	322,309	122,809	10,322,306
11	40,293	92,719	1,065,633	1,065,633	0	558,938	424,031	244,481	10,424,027
12	40,293	91,084	1,156,717	1,156,717	0	619,831	537,949	378,349	10,537,953
13	40,293	88,996	1,245,713	1,245,713	0	681,575	659,994	520,343	10,659,997
14	40,293	86,483	1,332,196	1,332,196	0	743,769	789,909	670,209	10,789,914
15	40,293	83,347	1,415,543	1,415,543	0	805,780	934,858	835,108	10,934,857
16	40,293	79,490	1,495,033	1,495,033	0	866,841	1,096,694	1,016,894	11,096,697
17	40,293	74,594	1,569,627	1,569,627	0	925,814	1,275,183	1,215,333	11,275,183
18	40,293	68,489	1,638,116	1,638,116	0	981,326	1,467,129	1,427,229	11,467,134
19	40,293	61,257	1,699,373	1,699,373	0	1,032,020	1,669,089	1,649,138	11,669,087
20	40,293	51,828	1,751,201	1,751,201	0	1,075,348	1,881,016	1,881,016	11,881,019
	805,860	1,751,201			0				

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

## Summary of Costs and Benefits

### A Private Equity Split Dollar Plan Using Variable Survivor Life (VSL)

Presented By: [Licensed user's name appears here]  
Date: 07/31/2001  
Summary 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%

Year	Plan Sponsor Nathan and Greta Baier				Plan Recipient and Policy Owner Baier Family Trust				
	(1) Gifts to Plan Recipient	(2) Split Dollar Net Payment	(3) Share of Cash Value*	(4) Share of Death Benefit	(5) Net Payment**	(6) Gift Reserve Account	(7) Share of Accum Value*	(8) Share of Cash Value*	(9) Share of Death Benefit
21	40,293	39,916	1,791,117	1,791,117	0	1,108,334	2,104,319	2,104,319	12,104,323
22	40,293	24,101	1,815,218	1,815,218	0	1,126,365	2,340,972	2,340,972	12,340,972
23	40,293	4,912	1,820,130	1,820,130	0	1,125,148	2,590,605	2,590,605	12,590,610
24	40,293	-17,280	1,802,850	1,802,850	0	1,100,569	2,850,993	2,850,993	12,850,990
25	40,293	-44,105	1,758,745	1,758,745	0	1,046,595	3,116,401	3,116,401	13,116,405
26	40,293	-75,585	1,683,160	1,683,160	0	956,868	3,374,609	3,374,609	13,374,610
27	40,293	-115,601	1,567,559	1,567,559	0	820,639	3,615,174	3,615,174	13,615,171
28	40,293	-164,017	1,403,542	1,403,542	0	626,760	3,825,959	3,825,959	13,825,958
29	40,293	-225,916	1,177,626	1,177,626	0	358,194	3,996,444	3,996,443	13,996,444
30	40,293	-298,484	879,142	879,142	0	3	4,099,078	4,099,078	14,099,078
	1,208,790	879,142			0				

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

# Plan Sponsor's Payment Analysis

## A Private Equity Split Dollar Plan Using Variable Survivor Life (VSL)

Presented By: [Licensed user's name appears here]  
Date: 07/31/2001  
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  
Age  
65/60  
VSL  
Interest Rate  
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) Scheduled Repayment from Plan Recipient	(5) Split Dollar Net Payment (3) - (4)	(6) Cumulative Split Dollar Net Payment
1	40,293	40,293	99,212	0	99,212	99,212
2	40,293	80,586	99,023	0	99,023	198,235
3	40,293	120,879	98,768	0	98,768	297,003
4	40,293	161,172	98,432	0	98,432	395,435
5	40,293	201,465	98,006	0	98,006	493,441
6	40,293	241,758	97,476	0	97,476	590,917
7	40,293	282,051	96,826	0	96,826	687,743
8	40,293	322,344	96,034	0	96,034	783,777
9	40,293	362,637	95,108	0	95,108	878,885
10	40,293	402,930	94,029	0	94,029	972,914
11	40,293	443,223	92,719	0	92,719	1,065,633
12	40,293	483,516	91,084	0	91,084	1,156,717
13	40,293	523,809	88,996	0	88,996	1,245,713
14	40,293	564,102	86,483	0	86,483	1,332,196
15	40,293	604,395	83,347	0	83,347	1,415,543
16	40,293	644,688	79,490	0	79,490	1,495,033
17	40,293	684,981	74,594	0	74,594	1,569,627
18	40,293	725,274	68,489	0	68,489	1,638,116
19	40,293	765,567	61,257	0	61,257	1,699,373
20	40,293	805,860	51,828	0	51,828	1,751,201
	805,860		1,751,201	0	1,751,201	

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## Plan Sponsor's Payment Analysis

### A Private Equity Split Dollar Plan Using Variable Survivor Life (VSL)

Presented By: [Licensed user's name appears here]  
Date: 07/31/2001  
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) Scheduled Repayment from Plan Recipient	(5) Split Dollar Net Payment (3) - (4)	(6) Cumulative Split Dollar Net Payment
21	40,293	846,153	39,916	0	39,916	1,791,117
22	40,293	886,446	24,101	0	24,101	1,815,218
23	40,293	926,739	4,912	0	4,912	1,820,130
24	40,293	967,032	0	17,280	-17,280	1,802,850
25	40,293	1,007,325	0	44,105	-44,105	1,758,745
26	40,293	1,047,618	0	75,585	-75,585	1,683,160
27	40,293	1,087,911	0	115,601	-115,601	1,567,559
28	40,293	1,128,204	0	164,017	-164,017	1,403,542
29	40,293	1,168,497	0	225,916	-225,916	1,177,626
30	40,293	1,208,790	0	298,484	-298,484	879,142
	1,208,790		1,820,130	940,988	879,142	

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

## A Private Equity Split Dollar Plan Using Variable Survivor Life (VSL)

Presented By: [Licensed user's name appears here]  
Date: 07/31/2001  
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  
Gift Reserve Account  
Tax Exempt Yield  
5.00%

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 @5.00%	(6) Plan Recipient's Split Dollar Premium Share	(7) Plan Recipient's Scheduled Repayment to Plan Sponsor	(8) Plan Recipient's Split Dollar Net Payment (6)+(7)-(2)-(4)	(9) Plan's Additional Imputed Gift Valuation
1	40,293	788	39,505	0	41,480	788	0	0	0
2	40,293	977	39,316	0	84,836	977	0	0	0
3	40,293	1,232	39,061	0	130,092	1,232	0	0	0
4	40,293	1,568	38,725	0	177,258	1,568	0	0	0
5	40,293	1,994	38,299	0	226,335	1,994	0	0	0
6	40,293	2,524	37,769	0	277,309	2,524	0	0	0
7	40,293	3,174	37,119	0	330,149	3,174	0	0	0
8	40,293	3,966	36,327	0	384,800	3,966	0	0	0
9	40,293	4,892	35,401	0	441,211	4,892	0	0	0
10	40,293	5,971	34,322	0	499,310	5,971	0	0	0
11	40,293	7,281	33,012	0	558,938	7,281	0	0	0
12	40,293	8,916	31,377	0	619,831	8,916	0	0	0
13	40,293	11,004	29,289	0	681,575	11,004	0	0	0
14	40,293	13,517	26,776	0	743,769	13,517	0	0	0
15	40,293	16,653	23,640	0	805,780	16,653	0	0	0
16	40,293	20,510	19,783	0	866,841	20,510	0	0	0
17	40,293	25,406	14,887	0	925,814	25,406	0	0	0
18	40,293	31,511	8,782	0	981,326	31,511	0	0	0
19	40,293	38,743	1,550	0	1,032,020	38,743	0	0	0
20	40,293	40,293	0	7,879	1,075,348	48,172	0	0	0
	805,860	240,920	564,940	7,879		248,799	0	0	0

\*For premium payment and/or repayment to Plan Sponsor.

\*\*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 columns (6) and (7) offset the economic benefit for gift valuation, column (9) 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 Private Equity Split Dollar Plan Using Variable Survivor Life (VSL)

Presented By: [Licensed user's name appears here]  
Date: 07/31/2001  
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  
Gift Reserve Account  
Tax Exempt Yield  
5.00%

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 @5.00%	(6) Plan Recipient's Split Dollar Premium Share	(7) Plan Recipient's Scheduled Repayment to Plan Sponsor	(8) Plan Recipient's Split Dollar Net Payment (6)+(7)-(2)-(4)	(9) Plan's Additional Imputed Gift Valuation
21	40,293	40,293	0	19,791	1,108,334	60,084	0	0	0
22	40,293	40,293	0	35,606	1,126,365	75,899	0	0	0
23	40,293	40,293	0	54,795	1,125,148	95,088	0	0	0
24	40,293	40,293	0	76,987	1,100,569	100,000	17,280	0	0
25	40,293	40,293	0	103,812	1,046,595	100,000	44,105	0	0
26	40,293	40,293	0	135,292	956,868	100,000	75,585	0	0
27	40,293	40,293	0	175,308	820,639	100,000	115,601	0	0
28	40,293	40,293	0	223,724	626,760	100,000	164,017	0	0
29	40,293	40,293	0	285,623	358,194	100,000	225,916	0	0
30	40,293	40,293	0	358,191	3	100,000	298,484	0	0
	1,208,790	643,850	564,940	1,477,008		1,179,870	940,988	0	0

\*For premium payment and/or repayment to Plan Sponsor.

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Assuming columns (6) and (7) offset the economic benefit for gift valuation, column (9) is this plan's additional imputed gift. (U.S. 38 rate calculation (Table 2001 based).)