

Private Split Dollar (Limited Collateral Assignment Variation)

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") 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 gifted to the Plan Recipient -- a key to avoiding additional gift tax consequences associated with IRS Notice 2001-10.)

The Plan Recipient is usually expected to pay a portion of the plan's premiums, and these payments are pegged to IRS-approved rate tables. In the accompanying presentation, gifts from the Plan Sponsor are illustrated in order to offset the Plan Recipient's schedule of payments.

The main purpose of the arrangement is to provide the Plan Recipient 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 Plan Recipient.

This strategy combines low cost coverage for the Plan Recipient 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 Plan Recipient.

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.

A Private 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: 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 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: 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) Policy Premium	(2) Pre-Tax Policy Cash Flow	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Death Benefit
Year					
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 Limited Collateral Assignment 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 VSL
Age Interest Rate
65/60 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 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
1	23,086	99,212	18,559	0	99,212	0	23,413	9,919,348
2	23,086	99,023	121,111	0	198,235	0	47,798	9,922,875
3	23,086	98,768	232,525	0	297,003	0	73,135	9,935,527
4	23,086	98,432	353,645	87,645	395,435	0	99,385	9,958,215
5	23,086	98,006	484,763	218,763	493,441	0	126,501	9,991,319
6	23,086	97,476	625,950	373,250	590,917	0	154,416	10,035,033
7	23,086	96,826	774,896	535,496	687,743	0	183,045	10,087,157
8	23,086	96,034	936,862	710,762	783,777	0	212,273	10,153,083
9	23,086	95,117	1,110,196	897,396	897,396	0	242,000	10,212,804
10	23,086	94,100	1,295,223	1,095,723	1,095,723	0	272,145	10,199,497
11	23,086	92,889	1,489,664	1,310,114	1,310,114	0	302,526	10,179,546
12	23,086	91,404	1,694,666	1,535,066	1,535,066	0	332,867	10,159,604
13	23,086	89,533	1,905,707	1,766,056	1,766,056	0	362,760	10,139,654
14	23,086	87,323	2,122,105	2,002,405	2,002,405	0	391,828	10,119,705
15	23,086	84,619	2,350,401	2,250,651	2,250,651	0	419,509	10,099,749
16	23,086	81,370	2,591,727	2,511,927	2,511,927	0	445,163	10,079,803
17	23,086	77,332	2,844,810	2,784,960	2,784,960	0	467,860	10,059,850
18	23,086	72,411	3,105,245	3,065,345	3,065,345	0	486,525	10,039,905
19	23,086	66,732	3,368,462	3,348,511	3,348,511	0	500,160	10,019,949
20	23,086	59,455	3,632,217	3,632,217	3,632,217	0	506,837	10,000,003
	461,720	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 Private Limited Collateral Assignment 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 VSL
Age Interest Rate
65/60 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 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
21	23,086	50,362	3,895,436	3,895,436	3,895,436	0	504,299	10,000,004
22	23,086	38,498	4,156,190	4,156,190	4,156,190	0	489,177	10,000,000
23	23,086	24,477	4,410,735	4,410,735	4,410,735	0	458,577	10,000,005
24	23,086	8,738	4,653,843	4,653,843	4,653,843	0	409,921	9,999,997
25	23,086	0	4,875,146	4,875,146	4,875,146	0	349,657	10,000,004
26	23,086	0	5,057,769	5,057,769	5,057,769	0	286,380	10,000,001
27	23,086	0	5,182,733	5,182,733	5,182,733	0	219,940	9,999,997
28	23,086	0	5,229,501	5,229,501	5,229,501	0	150,177	9,999,999
29	23,086	0	5,174,070	5,174,069	5,174,069	0	76,926	10,000,001
30	23,086	0	4,978,220	4,978,220	4,978,220	0	13	10,000,000
	692,580	1,898,137				0		

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**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 Private Limited Collateral Assignment 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 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	23,086	23,086	99,212	99,212
2	23,086	46,172	99,023	198,235
3	23,086	69,258	98,768	297,003
4	23,086	92,344	98,432	395,435
5	23,086	115,430	98,006	493,441
6	23,086	138,516	97,476	590,917
7	23,086	161,602	96,826	687,743
8	23,086	184,688	96,034	783,777
9	23,086	207,774	95,117	878,894
10	23,086	230,860	94,100	972,994
11	23,086	253,946	92,889	1,065,883
12	23,086	277,032	91,404	1,157,287
13	23,086	300,118	89,533	1,246,820
14	23,086	323,204	87,323	1,334,143
15	23,086	346,290	84,619	1,418,762
16	23,086	369,376	81,370	1,500,132
17	23,086	392,462	77,332	1,577,464
18	23,086	415,548	72,411	1,649,875
19	23,086	438,634	66,732	1,716,607
20	23,086	461,720	59,455	1,776,062
	461,720		1,776,062	

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Split dollar arrangement presumed terminated in year 30.

Plan Sponsor's Payment Analysis

A Private Limited Collateral Assignment 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) Cum. Split Dollar Premium Share
21	23,086	484,806	50,362	1,826,424
22	23,086	507,892	38,498	1,864,922
23	23,086	530,978	24,477	1,889,399
24	23,086	554,064	8,738	1,898,137
25	23,086	577,150	0	1,898,137
26	23,086	600,236	0	1,898,137
27	23,086	623,322	0	1,898,137
28	23,086	646,408	0	1,898,137
29	23,086	669,494	0	1,898,137
30	23,086	692,580	0	1,898,137
<hr style="width: 20%; margin-left: auto; margin-right: auto;"/>				
	692,580		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 Private Limited Collateral Assignment 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 Split Dollar Net Payment (6)-(2)-(4)	(8) Plan's Additional Imputed Gift Valuation
1	23,086	788	22,298	0	23,413	788	0	0
2	23,086	977	22,109	0	47,798	977	0	0
3	23,086	1,232	21,854	0	73,135	1,232	0	0
4	23,086	1,568	21,518	0	99,385	1,568	0	0
5	23,086	1,994	21,092	0	126,501	1,994	0	0
6	23,086	2,524	20,562	0	154,416	2,524	0	0
7	23,086	3,174	19,912	0	183,045	3,174	0	0
8	23,086	3,966	19,120	0	212,273	3,966	0	0
9	23,086	4,883	18,203	0	242,000	4,883	0	0
10	23,086	5,900	17,186	0	272,145	5,900	0	0
11	23,086	7,111	15,975	0	302,526	7,111	0	0
12	23,086	8,596	14,490	0	332,867	8,596	0	0
13	23,086	10,467	12,619	0	362,760	10,467	0	0
14	23,086	12,677	10,409	0	391,828	12,677	0	0
15	23,086	15,381	7,705	0	419,509	15,381	0	0
16	23,086	18,630	4,456	0	445,163	18,630	0	0
17	23,086	22,668	418	0	467,860	22,668	0	0
18	23,086	23,086	0	4,503	486,525	27,589	0	0
19	23,086	23,086	0	10,182	500,160	33,268	0	0
20	23,086	23,086	0	17,459	506,837	40,545	0	0
	461,720	191,794	269,926	32,144		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 Private Limited Collateral Assignment 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 Gift 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 Split Dollar Net Payment (6)-(2)-(4)	(8) Plan's Additional Imputed Gift Valuation
21	23,086	23,086	0	26,552	504,299	49,638	0	0
22	23,086	23,086	0	38,416	489,177	61,502	0	0
23	23,086	23,086	0	52,437	458,577	75,523	0	0
24	23,086	23,086	0	68,176	409,921	91,262	0	0
25	23,086	23,086	0	76,914	349,657	100,000	0	9,867
26	23,086	23,086	0	76,914	286,380	100,000	0	31,283
27	23,086	23,086	0	76,914	219,940	100,000	0	58,354
28	23,086	23,086	0	76,914	150,177	100,000	0	90,957
29	23,086	23,086	0	76,914	76,926	100,000	0	132,857
30	23,086	23,086	0	76,914	13	100,000	0	182,631
	692,580	422,654	269,926	679,209		1,101,863	0	505,949

*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).)