

# A Salary Continuation Plan

For: Sales Manager



Presented By: \_\_\_\_\_

[Licensed user's name appears here]

# A Salary Continuation Plan Using Universal Life

Presented By: [Licensed user's name appears here]

Insured: Nick Wolfe

Sales Manager  
East Bay Cadillac

## Preface

Of all the strategies used by employers to provide unique survivor benefits for their valuable executives, this variation is one of the most efficient.

With this benefit plan, the employer contractually agrees to pay scheduled amounts of retirement compensation to selected executives.

The income benefits are informally funded with life insurance policies owned by the employer.

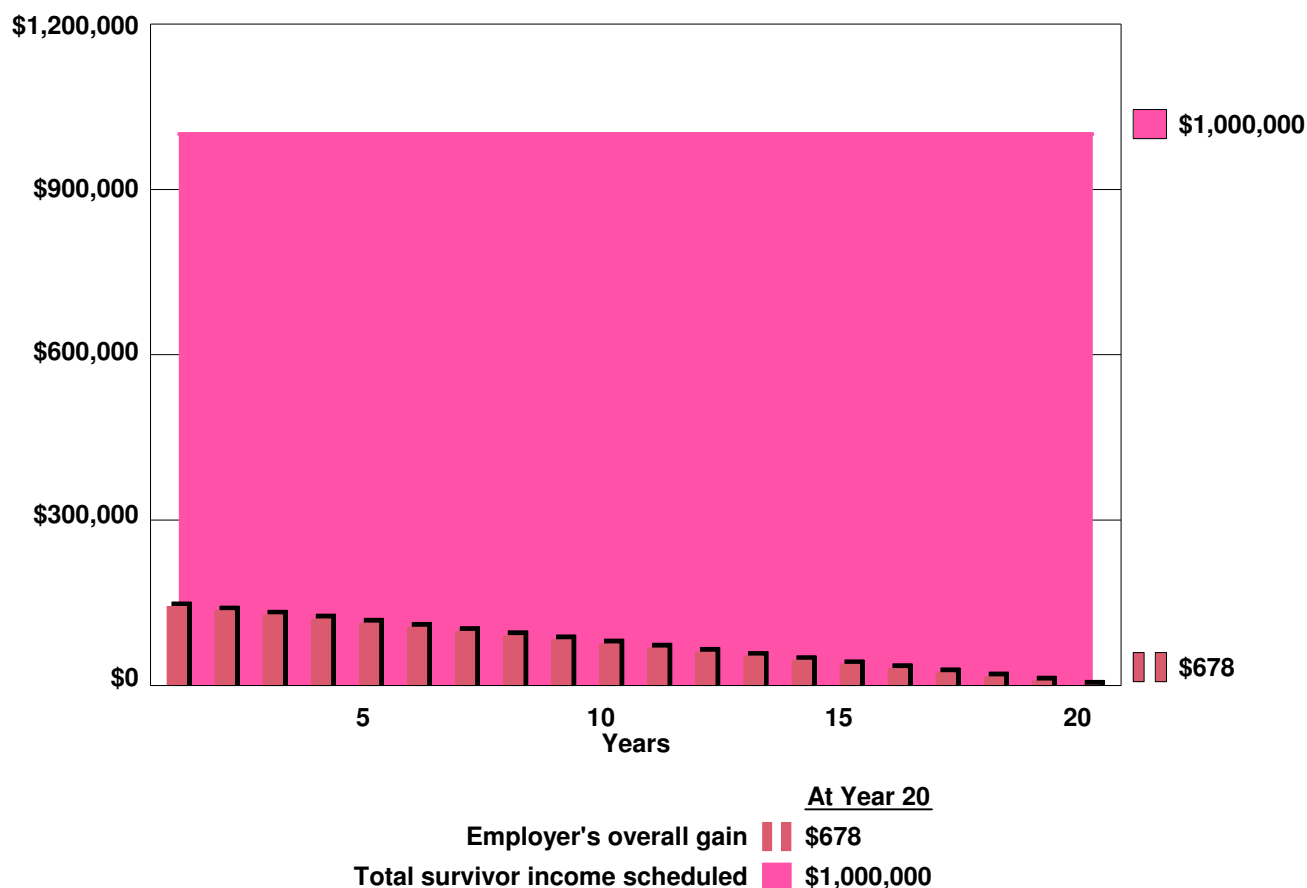
In some cases, the covered executive volunteers a compensation reduction in order to assist with premium payments.

The plan will generally include sufficient death benefits so that, at the executive's death, the employer will recover its plan costs.

### These plans have the following features:

1. Discriminatory participation;
2. Policy cash values are an employer asset;
3. Tax free policy death benefits;
4. Deductible benefit payments;
5. No regulatory approval required and negligible plan administration.

These features facilitate a nurturing employment environment that rewards and retains important executives.



This graphic assumes the non-guaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable.

# A Salary Continuation Plan Using Universal Life

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## Illustration of Policy Values Funding the Plan

Sales Manager  
East Bay Cadillac

		Employer's Tax Bracket 34.00%	UL Interest Rate 5.50%	Initial Payment 7,500	Initial Death Benefit 650,000		
Year	Male Age	(1) Payment	(2) Pre-Tax Policy Cash Flow	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Death Benefit	
1	45	7,500	0	6,204	0	680,000	
2	46	7,500	0	12,695	0	680,000	
3	47	7,500	0	19,455	85	680,000	
4	48	7,500	0	26,487	7,117	680,000	
5	49	7,500	0	33,796	14,426	680,000	
6	50	7,500	0	41,398	22,997	680,000	
7	51	7,500	0	49,263	32,024	680,000	
8	52	7,500	0	57,399	41,516	680,000	
9	53	7,500	0	65,802	51,468	680,000	
10	54	7,500	0	74,467	61,876	680,000	
11	55	7,500	0	83,399	72,745	680,000	
12	56	7,500	0	92,598	84,075	680,000	
13	57	7,500	0	102,052	95,853	680,000	
14	58	7,500	0	111,763	108,083	680,000	
15	59	7,500	0	121,731	121,731	680,000	
16	60	7,500	0	131,937	131,937	680,000	
17	61	7,500	0	142,383	142,383	680,000	
18	62	7,500	0	153,063	153,063	680,000	
19	63	7,500	0	163,961	163,961	680,000	
20	64	7,500	0	175,064	175,064	680,000	

150,000      0

\*This is an example of an InsMark supplemental illustration for universal life. In actual presentations, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company which contains important details, guarantees, and caveats.

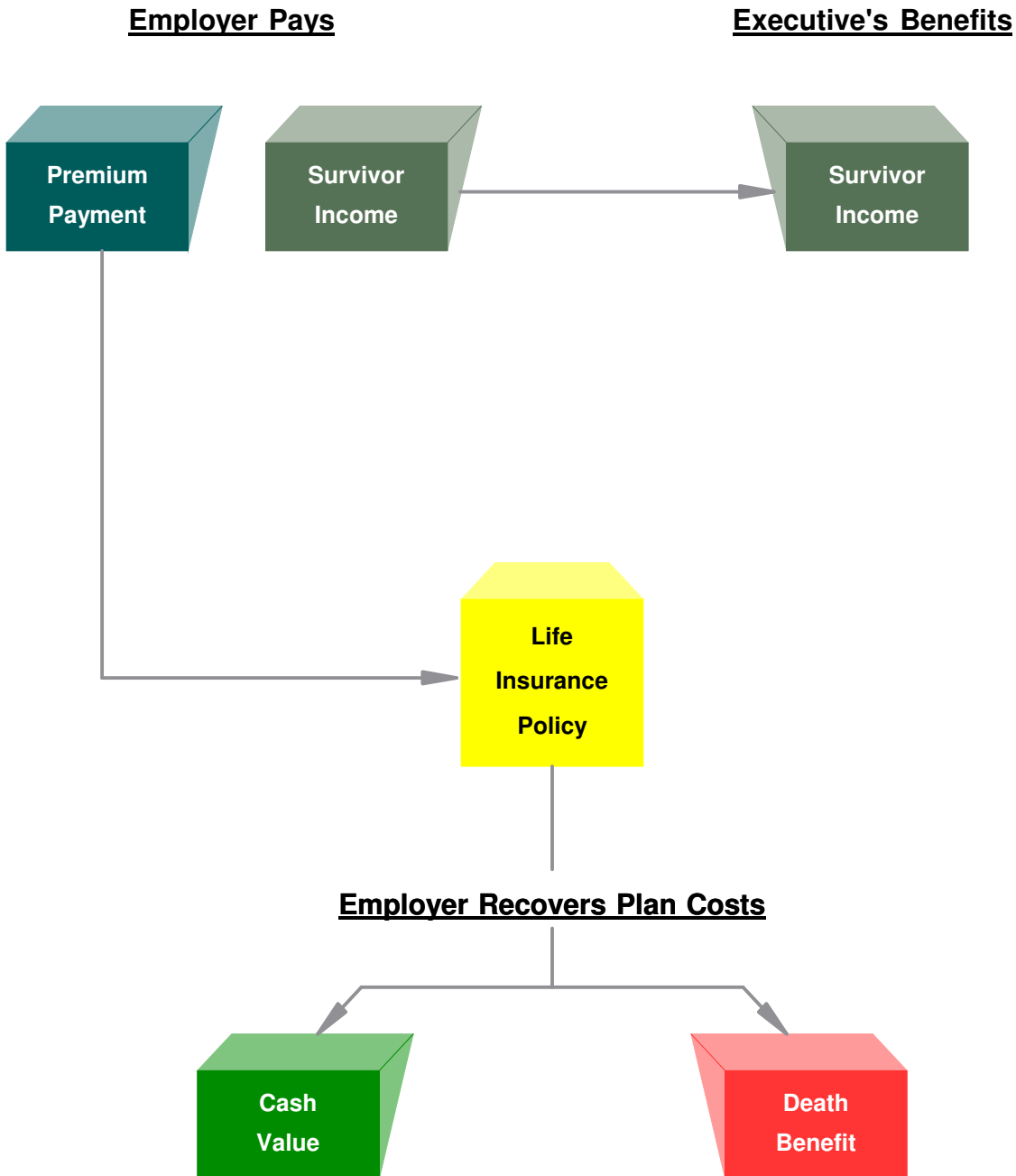
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## Flow Chart

Sales Manager  
East Bay Cadillac



# A Salary Continuation Plan Using Universal Life

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## Summary of Costs and Benefits

Sales Manager  
East Bay Cadillac

Employer's Tax Bracket 34.00%  
Employer's Assumed Use of Money (Survivor Income) 8.00%  
UL Interest Rate 5.50%

Plan Year	Male Age	Employer								Executive
		(1) Net Payment to the Plan	(2) Cumulative Net Payments to the Plan	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Cost to Provide Column (9)	(6) Total Plan Cost (2) + (5)	(7) Plan Death Benefit	(8) Overall Gain From Plan (7) - (6)	(9) Total Survivor Income Scheduled
1	45	7,500	7,500	6,204	0	529,322	536,822	680,000	143,178	1,000,000
2	46	7,500	15,000	12,695	0	529,322	544,322	680,000	135,678	1,000,000
3	47	7,500	22,500	19,455	85	529,322	551,822	680,000	128,178	1,000,000
4	48	7,500	30,000	26,487	7,117	529,322	559,322	680,000	120,678	1,000,000
5	49	7,500	37,500	33,796	14,426	529,322	566,822	680,000	113,178	1,000,000
6	50	7,500	45,000	41,398	22,997	529,322	574,322	680,000	105,678	1,000,000
7	51	7,500	52,500	49,263	32,024	529,322	581,822	680,000	98,178	1,000,000
8	52	7,500	60,000	57,399	41,516	529,322	589,322	680,000	90,678	1,000,000
9	53	7,500	67,500	65,802	51,468	529,322	596,822	680,000	83,178	1,000,000
10	54	7,500	75,000	74,467	61,876	529,322	604,322	680,000	75,678	1,000,000
11	55	7,500	82,500	83,399	72,745	529,322	611,822	680,000	68,178	1,000,000
12	56	7,500	90,000	92,598	84,075	529,322	619,322	680,000	60,678	1,000,000
13	57	7,500	97,500	102,052	95,853	529,322	626,822	680,000	53,178	1,000,000
14	58	7,500	105,000	111,763	108,083	529,322	634,322	680,000	45,678	1,000,000
15	59	7,500	112,500	121,731	121,731	529,322	641,822	680,000	38,178	1,000,000
16	60	7,500	120,000	131,937	131,937	529,322	649,322	680,000	30,678	1,000,000
17	61	7,500	127,500	142,383	142,383	529,322	656,822	680,000	23,178	1,000,000
18	62	7,500	135,000	153,063	153,063	529,322	664,322	680,000	15,678	1,000,000
19	63	7,500	142,500	163,961	163,961	529,322	671,822	680,000	8,178	1,000,000
20	64	7,500	150,000	175,064	175,064	529,322	679,322	680,000	678	1,000,000

150,000

\*This is an example of an InsMark supplemental illustration for universal life. In actual presentations, this footnote will refer to an accompanying "basic" illustration from a specific life insurance company which contains important details, guarantees, and caveats.

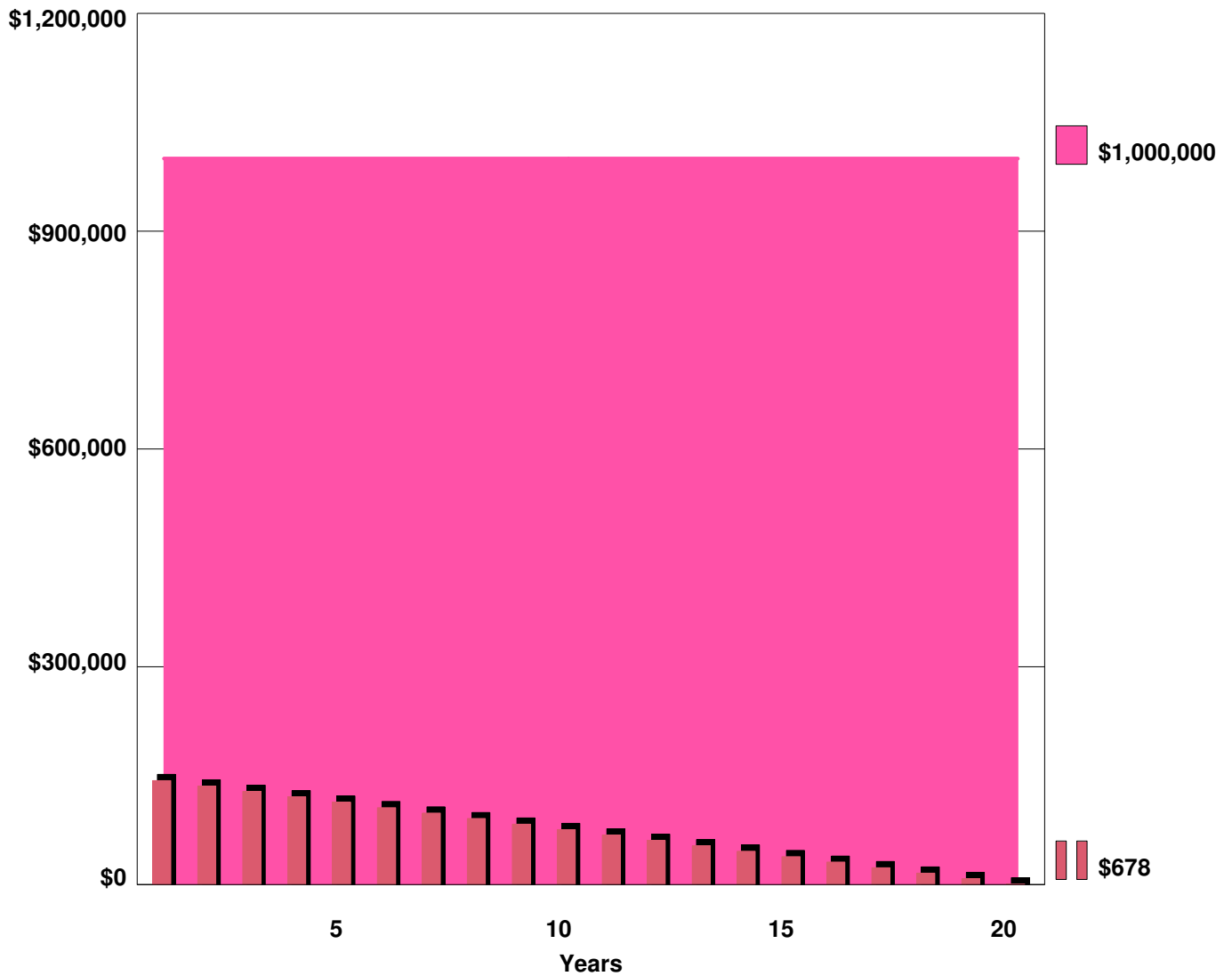
# A Salary Continuation Plan Using Universal Life

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Insured: Nick Wolfe

## 20 Year Analysis

Sales Manager  
East Bay Cadillac



At Year 20  
Employer's overall gain \$678  
Total survivor income scheduled \$1,000,000

# A Salary Continuation Plan Using Universal Life

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Insured: Nick Wolfe

## Employer's Cost Evaluation Analysis

Sales Manager  
East Bay Cadillac

Plan Year	Male Age	Employer's Tax Bracket 34.00%		UL Interest Rate 5.50%		Initial Payment 7,500	Initial Death Benefit 650,000			
		(1) Net Payment to the Plan	(2) Cumulative Net Payments to the Plan	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Cost to Provide Column (9)**	(6) Total Plan Cost (2) + (5)	(7) Plan Death Benefit	(8) Employer's Gain from the Plan (7) - (6)	(9) Total Survivor Income Scheduled
1	45	7,500	7,500	6,204	0	529,322	536,822	680,000	143,178	1,000,000
2	46	7,500	15,000	12,695	0	529,322	544,322	680,000	135,678	1,000,000
3	47	7,500	22,500	19,455	85	529,322	551,822	680,000	128,178	1,000,000
4	48	7,500	30,000	26,487	7,117	529,322	559,322	680,000	120,678	1,000,000
5	49	7,500	37,500	33,796	14,426	529,322	566,822	680,000	113,178	1,000,000
6	50	7,500	45,000	41,398	22,997	529,322	574,322	680,000	105,678	1,000,000
7	51	7,500	52,500	49,263	32,024	529,322	581,822	680,000	98,178	1,000,000
8	52	7,500	60,000	57,399	41,516	529,322	589,322	680,000	90,678	1,000,000
9	53	7,500	67,500	65,802	51,468	529,322	596,822	680,000	83,178	1,000,000
10	54	7,500	75,000	74,467	61,876	529,322	604,322	680,000	75,678	1,000,000
11	55	7,500	82,500	83,399	72,745	529,322	611,822	680,000	68,178	1,000,000
12	56	7,500	90,000	92,598	84,075	529,322	619,322	680,000	60,678	1,000,000
13	57	7,500	97,500	102,052	95,853	529,322	626,822	680,000	53,178	1,000,000
14	58	7,500	105,000	111,763	108,083	529,322	634,322	680,000	45,678	1,000,000
15	59	7,500	112,500	121,731	121,731	529,322	641,822	680,000	38,178	1,000,000
16	60	7,500	120,000	131,937	131,937	529,322	649,322	680,000	30,678	1,000,000
17	61	7,500	127,500	142,383	142,383	529,322	656,822	680,000	23,178	1,000,000
18	62	7,500	135,000	153,063	153,063	529,322	664,322	680,000	15,678	1,000,000
19	63	7,500	142,500	163,961	163,961	529,322	671,822	680,000	8,178	1,000,000
20	64	7,500	150,000	175,064	175,064	529,322	679,322	680,000	678	1,000,000

150,000

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\*\*This is the amount needed to provide the Survivor income. See column (3) of the Employer's Survivor Income Analysis report for details.

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## Employer's Survivor Income Summary

Sales Manager  
East Bay Cadillac

Plan Year	Male Age	(1) Annual Scheduled Survivor Income*	(2) Years Payable	(3) Total Survivor Income Scheduled	(4) Cost to Provide Column (3)
1	45	100,000	10	1,000,000	529,322
2	46	100,000	10	1,000,000	529,322
3	47	100,000	10	1,000,000	529,322
4	48	100,000	10	1,000,000	529,322
5	49	100,000	10	1,000,000	529,322
6	50	100,000	10	1,000,000	529,322
7	51	100,000	10	1,000,000	529,322
8	52	100,000	10	1,000,000	529,322
9	53	100,000	10	1,000,000	529,322
10	54	100,000	10	1,000,000	529,322
11	55	100,000	10	1,000,000	529,322
12	56	100,000	10	1,000,000	529,322
13	57	100,000	10	1,000,000	529,322
14	58	100,000	10	1,000,000	529,322
15	59	100,000	10	1,000,000	529,322
16	60	100,000	10	1,000,000	529,322
17	61	100,000	10	1,000,000	529,322
18	62	100,000	10	1,000,000	529,322
19	63	100,000	10	1,000,000	529,322
20	64	100,000	10	1,000,000	529,322

\*See accompanying Employer's analysis of survivor income in plan year 1 for a representative example of survivor income calculations.



# A Salary Continuation Plan Using Universal Life

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## Employer's Survivor Income Analysis in Plan Year 1

Sales Manager  
East Bay Cadillac

Employer's Tax Bracket 34.00%	Employer's Assumed Use of Money 8.00%	Employer's Cost to Provide the Benefit* 529,322	Total Survivor Income Scheduled 1,000,000
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Year Following Executive's Death	Employer's Benefits and Costs		Employer's Survivor Income Account Activity		
	(1) Annual Payment to Executive's Survivors	(2) Annual After Tax Cost of Payment to Survivors	(3) Beginning of Year Balance in Survivor Income Account	(4) Balance in Account to Accrue (3) - (2)	(5) Year End After Tax Accrual of Account
1	100,000	66,000	529,322	463,322	487,785
2	100,000	66,000	487,785	421,785	444,055
3	100,000	66,000	444,055	378,055	398,017
4	100,000	66,000	398,017	332,017	349,547
5	100,000	66,000	349,547	283,547	298,519
6	100,000	66,000	298,519	232,519	244,796
7	100,000	66,000	244,796	178,796	188,236
8	100,000	66,000	188,236	122,236	128,690
9	100,000	66,000	128,690	62,690	66,000
10	100,000	66,000	66,000	0	0

1,000,000	660,000
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This table shows the escrow calculations (columns 3, 4 and 5) necessary to produce the survivor income shown in column (1). Rounding may cause minor math inconsistencies. Calculation formulae are:

- Column (2) = column (1) times (1-(tax bracket/100))
- Column (4) = column (3) minus column (2)
- Column (5) = column (4) plus the after tax interest credit

\*See column (3), year 1.

# A Salary Continuation Plan Using Universal Life

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## Executive's Analysis

Sales Manager  
East Bay Cadillac

		Survivor Benefits		
Plan Year	Male Age	(1) Annual Scheduled Survivor Income	(2) Years Payable	(3) Total Survivor Income Scheduled
1	45	100,000	10	1,000,000
2	46	100,000	10	1,000,000
3	47	100,000	10	1,000,000
4	48	100,000	10	1,000,000
5	49	100,000	10	1,000,000
6	50	100,000	10	1,000,000
7	51	100,000	10	1,000,000
8	52	100,000	10	1,000,000
9	53	100,000	10	1,000,000
10	54	100,000	10	1,000,000
11	55	100,000	10	1,000,000
12	56	100,000	10	1,000,000
13	57	100,000	10	1,000,000
14	58	100,000	10	1,000,000
15	59	100,000	10	1,000,000
16	60	100,000	10	1,000,000
17	61	100,000	10	1,000,000
18	62	100,000	10	1,000,000
19	63	100,000	10	1,000,000
20	64	100,000	10	1,000,000

This is an illustration not a contract. Specific terms as to the timing and amount of any survivor income are contained only in written agreements between the parties.