

# Endorsement Split Dollar

For: Will Clarkson



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

[Licensed user's name appears here]

# Endorsement Split Dollar Using Universal Life (UL)

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

Insured: Will Clarkson

Clarkson Lumber Yard, Inc.

## Preface

Of all the strategies used by employers to provide significant amounts of life insurance for the protection of the families of valuable executives, this variation is one of the most efficient.

The policy is issued on the executive's life and owned by the employer. Policy values and benefits are allocated as follows:

- The employer owns all cash values which are carried as an asset on its books. (The employer's outlay is simply a transfer from the firm's "cash account" to "cash value account".)
- The employer's death benefit is equal to its cumulative premiums paid or, if greater, an amount equal to the policy cash value.
- The executive's beneficiaries are entitled to the balance of the policy death benefit.

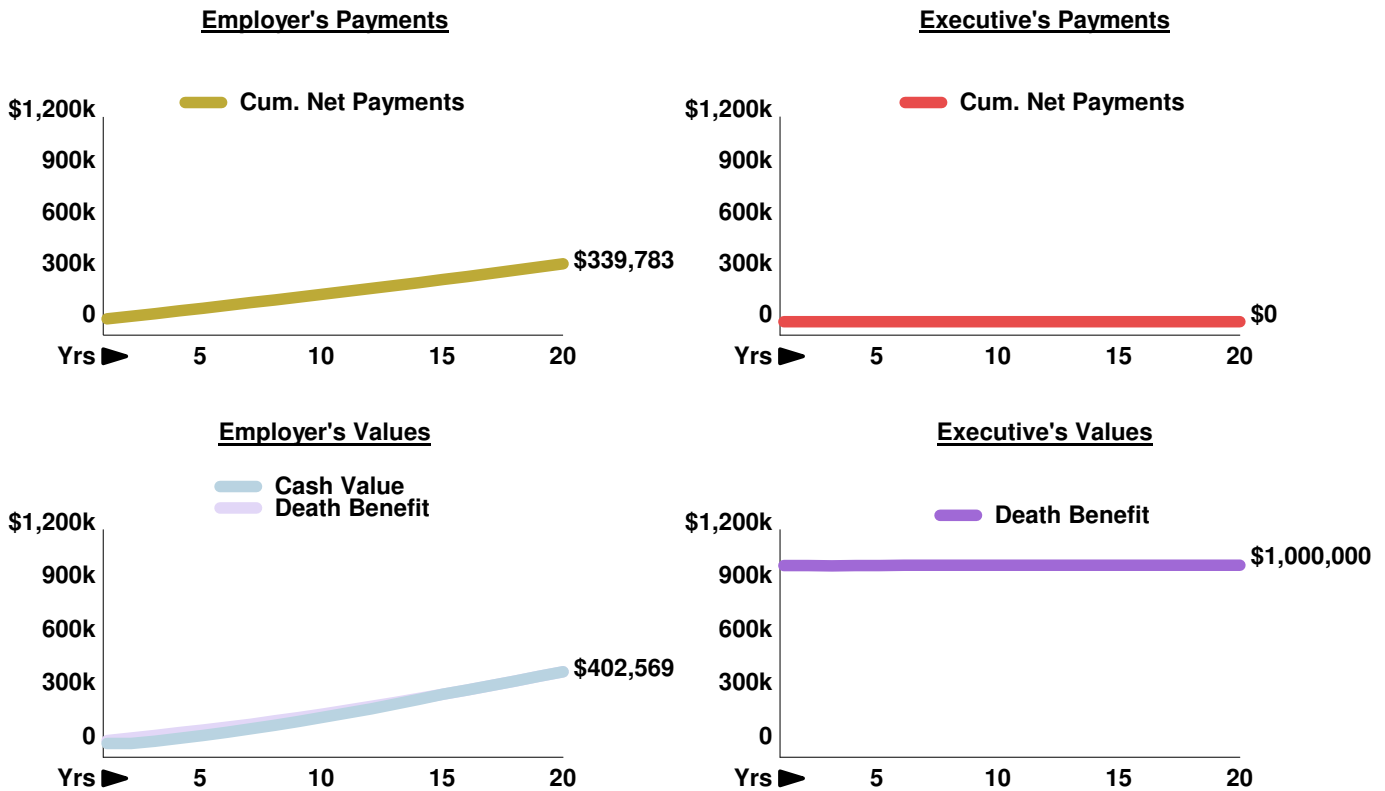
The executive will be in receipt of imputed income each year for the personal life insurance coverage

based on the attained age rates contained in Table 2001 (issued as part of IRS Notice 2001-10).

This income consequence is illustrated in the accompanying reports including a bonus from the employer to help offset the resulting income tax.

Substantial life insurance coverage for the executive's family, combined with cash values for the employer, constitute a program that should be financially compelling to both employer and executive.

In all cases, the approval of a client's legal and tax advisers must be secured regarding the implementation of any form of split dollar.



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.

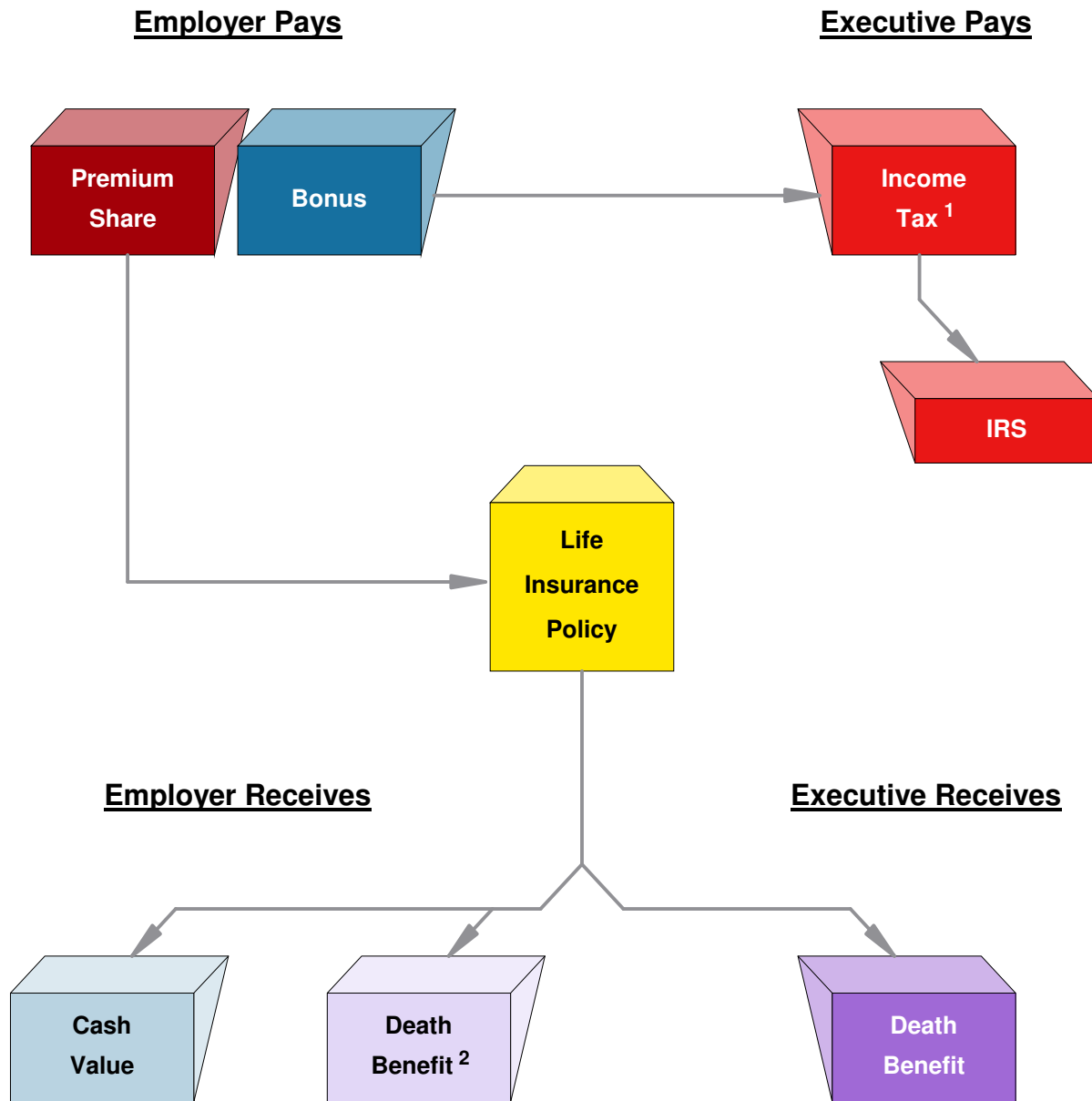
# Endorsement Split Dollar Using Universal Life (UL)

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

Insured: Will Clarkson

Clarkson Lumber Yard, Inc.

## Who Pays What - Who Receives What



<sup>1</sup> For the bonus and any economic benefit imputed on the plan.

<sup>2</sup> Equal to remaining balance after executive's portion is deducted.

# Endorsement Split Dollar Using Universal Life (UL)

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

Insured: Will Clarkson

Clarkson Lumber Yard, Inc.

## Illustration of Policy Values Funding The Plan

		UL Interest Rate 6.00%	Initial Payment 15,000	Initial Death Benefit 1,000,000			
Year	Male Age	(1) Policy Premium	(2) Pre-Tax Policy Cash Flow	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Death Benefit	
1	45	15,000	0	13,270	0	1,013,270	
2	46	15,000	0	27,261	0	1,027,261	
3	47	15,000	0	41,938	12,138	1,041,938	
4	48	15,000	0	57,322	27,522	1,057,323	
5	49	15,000	0	73,434	43,634	1,073,435	
6	50	15,000	0	90,309	61,999	1,090,309	
7	51	15,000	0	107,910	81,388	1,107,910	
8	52	15,000	0	126,259	101,823	1,126,259	
9	53	15,000	0	145,356	123,304	1,145,356	
10	54	15,000	0	165,199	145,829	1,165,199	
11	55	15,000	0	185,801	169,411	1,185,801	
12	56	15,000	0	207,161	194,049	1,207,161	
13	57	15,000	0	229,254	219,718	1,229,254	
14	58	15,000	0	252,079	246,417	1,252,079	
15	59	15,000	0	275,621	275,621	1,275,621	
16	60	15,000	0	299,828	299,828	1,299,828	
17	61	15,000	0	324,683	324,683	1,324,683	
18	62	15,000	0	350,140	350,140	1,350,140	
19	63	15,000	0	376,128	376,128	1,376,128	
20	64	15,000	0	402,569	402,569	1,402,569	

300,000      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.

# Endorsement Split Dollar Using Universal Life (UL)

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

Insured: Will Clarkson

Clarkson Lumber Yard, Inc.

## Summary of Costs and Benefits

		Form of Transaction (Endorsement)	Employer's Tax Bracket 34.00%	Executive's Tax Bracket 40.00%	UL Interest Rate 6.00%			
		Employer					Executive	
Year	Male Age	(1) Net Payment	(2) Cumulative Net Payments	(3) Policy Accum Value*	(4) Policy Cash Value*	(5) Share of Policy Death Benefit	(6) Net Payment	(7) Share of Policy Death Benefit
1	45	15,672	15,672	13,270	0	15,000	0	998,270
2	46	15,733	31,405	27,261	0	30,000	0	997,261
3	47	15,803	47,208	41,938	12,138	45,000	0	996,938
4	48	15,869	63,077	57,322	27,522	60,000	0	997,323
5	49	15,936	79,013	73,434	43,634	75,000	0	998,435
6	50	16,012	95,025	90,309	61,999	90,309	0	1,000,000
7	51	16,109	111,134	107,910	81,388	107,910	0	1,000,000
8	52	16,236	127,370	126,259	101,823	126,259	0	1,000,000
9	53	16,408	143,778	145,356	123,304	145,356	0	1,000,000
10	54	16,606	160,384	165,199	145,829	165,199	0	1,000,000
11	55	16,826	177,210	185,801	169,411	185,801	0	1,000,000
12	56	17,059	194,269	207,161	194,049	207,161	0	1,000,000
13	57	17,288	211,557	229,254	219,718	229,254	0	1,000,000
14	58	17,490	229,047	252,079	246,417	252,079	0	1,000,000
15	59	17,666	246,713	275,621	275,621	275,621	0	1,000,000
16	60	17,864	264,577	299,828	299,828	299,828	0	1,000,000
17	61	18,128	282,705	324,683	324,683	324,683	0	1,000,000
18	62	18,503	301,208	350,140	350,140	350,140	0	1,000,000
19	63	18,995	320,203	376,128	376,128	376,128	0	1,000,000
20	64	19,580	339,783	402,569	402,569	402,569	0	1,000,000

339,783

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.

Split dollar arrangement presumed terminated in year 20.

# Endorsement Split Dollar Using Universal Life (UL)

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

Insured: Will Clarkson

## Executive's Analysis

Clarkson Lumber Yard, Inc.

		Form of Transaction (Endorsement)	Executive's Tax Bracket 40.00%	UL Interest Rate 6.00%			
Year	Male Age	(1) Split Dollar Premium Share	(2) Additional Taxable Value of Benefit*	(3) Bonus Income Received	(4) Taxable Income (2) + (3)	(5) Income Tax Due on Col (4)	(6) Net Payment (1) - (3) + (5)
1	45	0	1,527	1,018	2,545	1,018	0
2	46	0	1,665	1,110	2,775	1,110	0
3	47	0	1,824	1,216	3,040	1,216	0
4	48	0	1,975	1,317	3,292	1,317	0
5	49	0	2,127	1,418	3,545	1,418	0
6	50	0	2,300	1,533	3,833	1,533	0
7	51	0	2,520	1,680	4,200	1,680	0
8	52	0	2,810	1,873	4,683	1,873	0
9	53	0	3,200	2,133	5,333	2,133	0
10	54	0	3,650	2,433	6,083	2,433	0
11	55	0	4,150	2,767	6,917	2,767	0
12	56	0	4,680	3,120	7,800	3,120	0
13	57	0	5,200	3,467	8,667	3,467	0
14	58	0	5,660	3,773	9,433	3,773	0
15	59	0	6,060	4,040	10,100	4,040	0
16	60	0	6,510	4,340	10,850	4,340	0
17	61	0	7,110	4,740	11,850	4,740	0
18	62	0	7,960	5,307	13,267	5,307	0
19	63	0	9,080	6,053	15,133	6,053	0
20	64	0	10,410	6,940	17,350	6,940	0
		0	90,418	60,278	150,696	60,278	0

\*Assuming column (1) offsets the economic benefit.

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.

Column (2) is the imputed economic benefit in compliance with IRS Notice 2002-8. (Table 2001 rates utilized.)

# Endorsement Split Dollar Using Universal Life (UL)

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

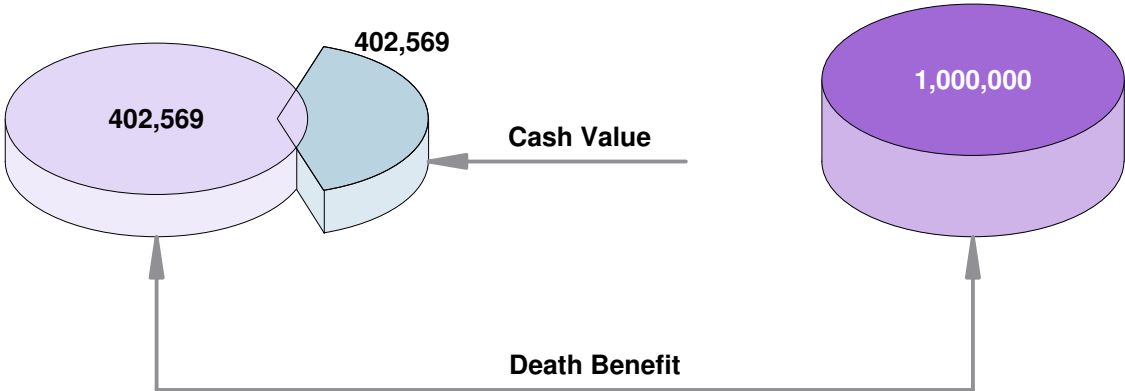
Insured: Will Clarkson

Clarkson Lumber Yard, Inc.

A Look at Year 20

**Employer**

**Executive**



Note: The after tax effects of bonuses are included in the cumulative net payments of both the employer and the executive.

# Endorsement Split Dollar Using Universal Life (UL)

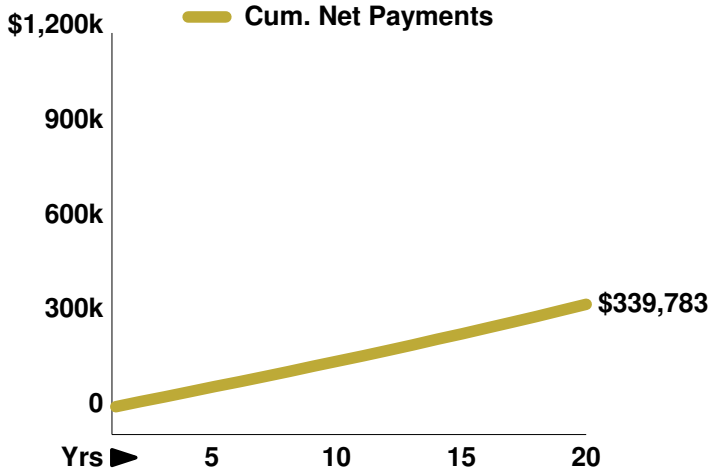
Presented By: [Licensed user's name appears here]

Insured: Will Clarkson

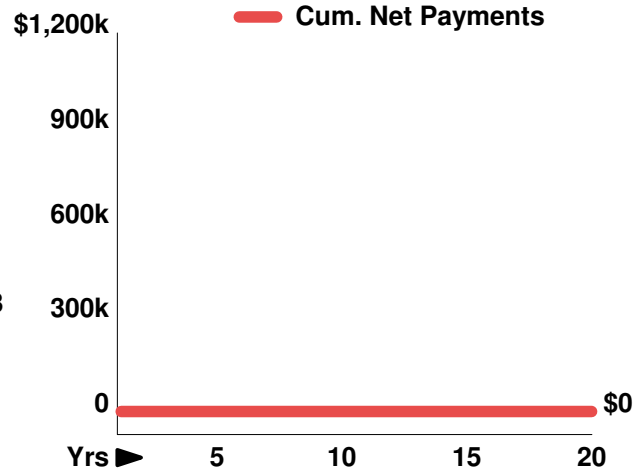
Clarkson Lumber Yard, Inc.

## 20 Year Analysis

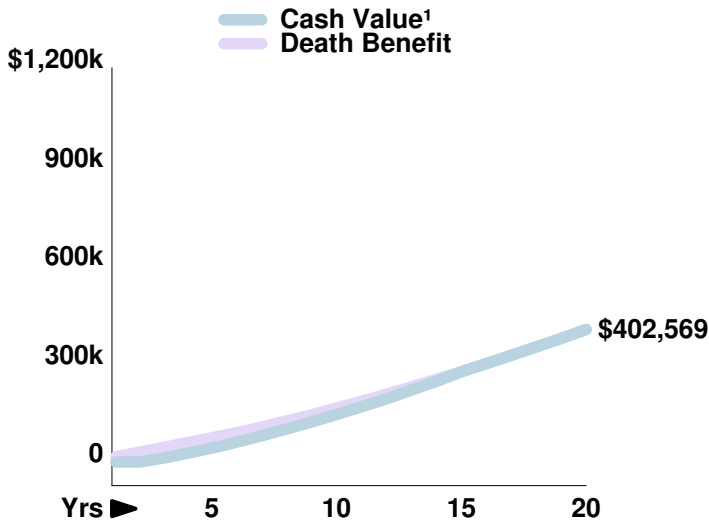
### Employer's Payments



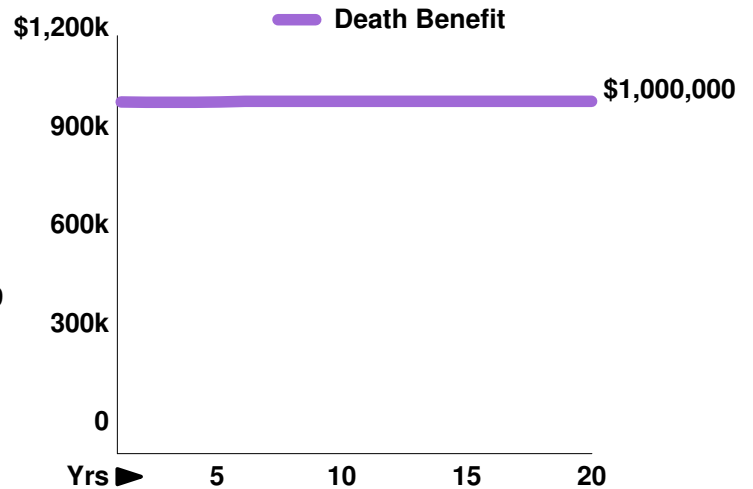
### Executive's Payments



### Employer's Values



### Executive's Values



<sup>1</sup> Employer cash value equal to employer death benefit in year 15 and thereafter.

Note: The after tax effects of bonuses are included in the cumulative net payments of both the employer and the executive.



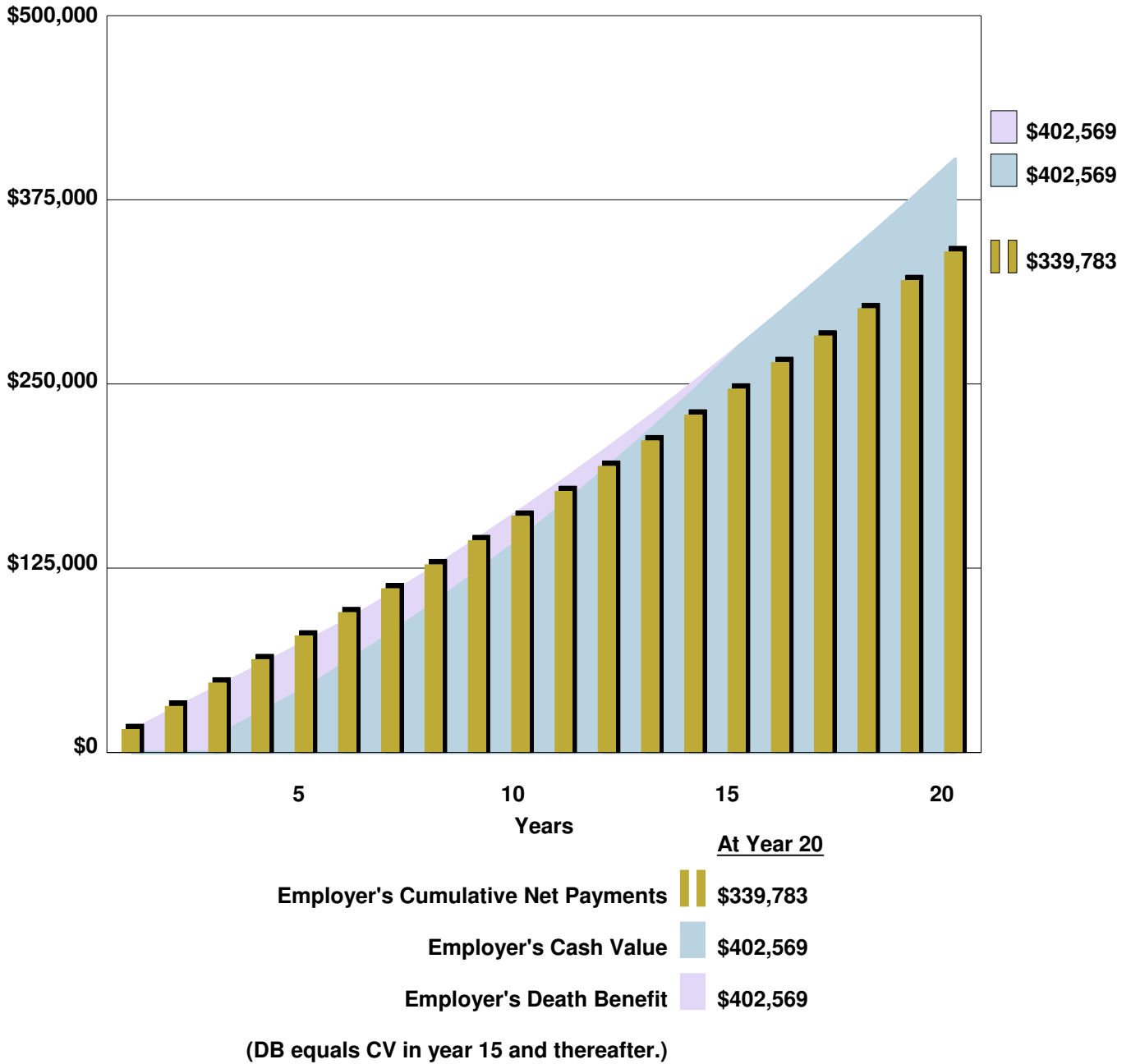
# Endorsement Split Dollar Using Universal Life (UL)

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

Insured: Will Clarkson

## Employer's 20 Year Analysis

Clarkson Lumber Yard, Inc.



Note: The after tax effects of bonuses are included in the cumulative net payments of both the employer and the executive.

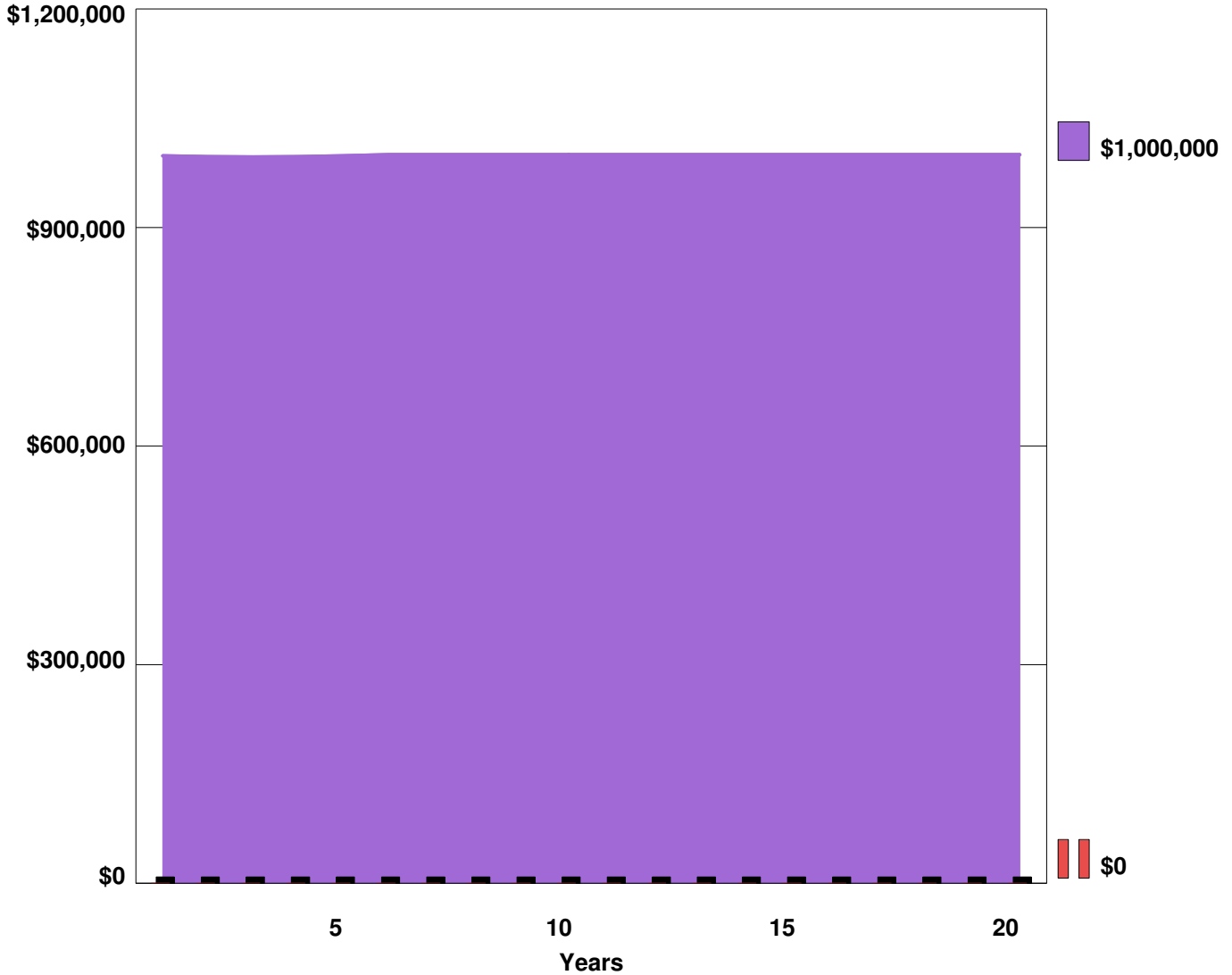
# Endorsement Split Dollar Using Universal Life (UL)

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

Insured: Will Clarkson

## Executive's 20 Year Analysis

Clarkson Lumber Yard, Inc.



**At Year 20**  
**Executive's Cumulative Net Payments** \$0  
**Executive's Death Benefit** \$1,000,000

Note: The after tax effects of bonuses are included in the cumulative net payments of both the employer and the executive.