

# Leveraged Planning® Split Dollar Financing Solutions

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## Flexible and efficient means to fund a broad range of planning needs

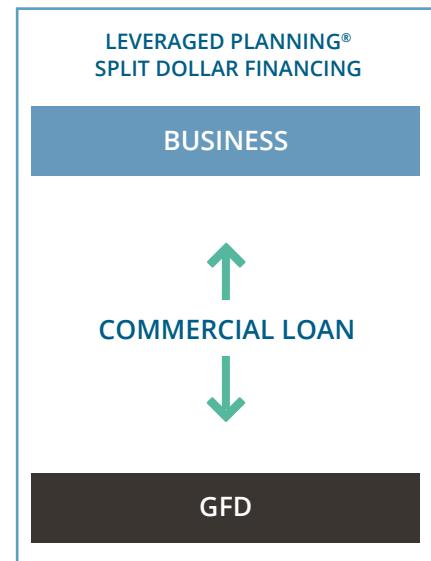
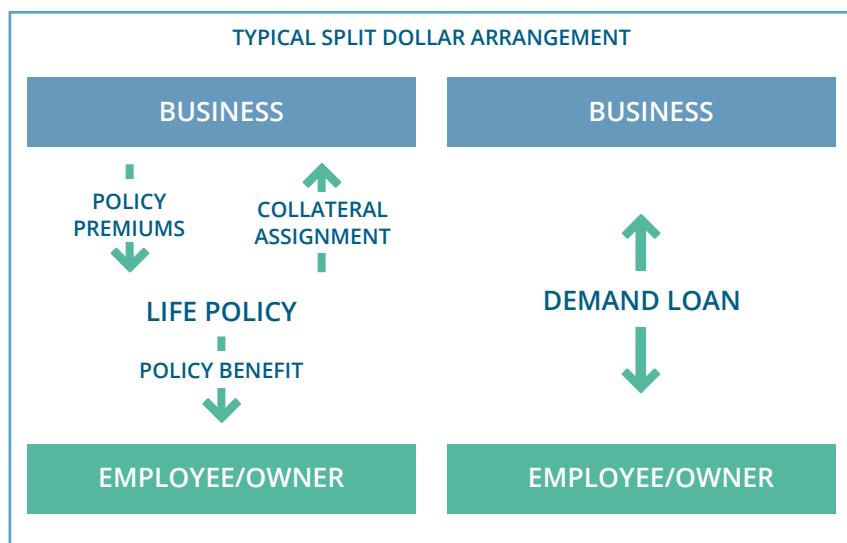
For businesses seeking to fund large life insurance needs through outside liquidity, Leveraged Planning® Split Dollar Financing Solutions offer a flexible and efficient means to rapidly fund a broad range of life insurance-backed planning strategies.

Split dollar life insurance is a form of a nonqualified executive compensation arrangement that enables an employer to provide life insurance coverage for employees or owners of the firm. The employer arrangement is typically based on its payment of premiums for the policy, but could also include sharing of policy cash values, death benefits, ownership or dividends. Although these type of arrangements can be made for all employees, they are primarily used as supplemental executive compensation for a key employee or a select group of managers or highly compensated employees.

In the typical loan regime split dollar financing scenario, a company pays for the premiums of a life insurance policy on the employee out of company assets while the employee or their trust owns the policy itself. The premium payments are treated as a loan to the employee and, to the extent that those premium payments are loaned to the employee at interest rates below current market rates, interest on the loaned funds will be imputed as income at a level determined by the IRS' applicable federal rate calculations.

GFD applies a Leveraged Planning solution to a typical loan regime split dollar financing arranging an additional layer of benefit for the corporation electing to use a split dollar arrangement by structuring a loan to the company sufficient to cover the premium payments for the life insurance policy described earlier. In order to secure the loan, a collateral assignment or reassignment is placed against the life insurance policy to cover repayment of the principal plus any additional charges that may be due.

This loan arrangement – between the company and GFD – is typically an interest-only loan and helps keep the firm's assets freed up to be used for other purposes while still maintaining the ability of the firm to provide a compelling benefit to a key employee or group of employees. Additionally, by borrowing the funds to pay for the premiums, the company is given the ability to significantly increase their overall purchasing power with respect to the life insurance coverage being secured.



## An Example

The GFD Leveraged Planning Split Dollar Financing Solution can be used by businesses to fund a broad range of different planning needs, among which are financing estate taxes for partners or firm owners, funding buy-sell or other business succession planning strategies, implementing a meaningful supplemental retirement benefit for executives (or their designees), restrictive endorsement bonus arrangements and many other foreseeable business needs.

To the right is an illustration of the comparative costs and benefits of a Leveraged Planning Split Dollar Financing Approach versus a traditional, company financed split dollar funding arrangement. In both scenarios, the hypothetical death benefit is \$10,000,000 and the premiums required are paid over 10 years.

The table below illustrates the projected results from the two approaches at Year 10.

CORPORATE ASSETS COMMITTED	PROJECTED DB	PROJECTED CSV	ESTIMATED IRR ON DB	ESTIMATED IRR ON CSV
CORPORATE FINANCED APPROACH	\$4,389,740	\$10,828,617	16%	3%
LEVERAGED PLANNING® FINANCED APPROACH	\$859,209	\$10,828,617	60%	43%

## Other Benefits

Additional benefits of the Leveraged Planning Split Dollar Financing Solution include:

- The business is often able to fund the plan with little or no required additional company capital.
- Depending upon the structure of the plan, growth and distributions may be tax-free to the employee.
- Interest paid by the company for their loan may be tax deductible.\*
- The plan can be offered selectively – giving the company the ability to choose which employee(s) participate.
- The employee is provided with a powerful benefit that is funded using employer funds.

Leveraged Planning Split Dollar Financing offers companies the ability to take advantage of the many benefits of a traditional split dollar financing arrangement for life insurance policies and marry that to the asset-preserving benefits of using outside funds.

\* GFD does not provide tax advice. All clients must confer with their financial and tax advisors on matters of deductibility or tax treatment.

\*\* This hypothetical example, plan specifics are based on actual loan and insurance policy illustrations, and subject to the terms of the definitive executed plan documents.



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