BORDEN HAMMAN

BUSINESS PLANNING STRATEGIES

A SPLIT-DOLLAR PLAN

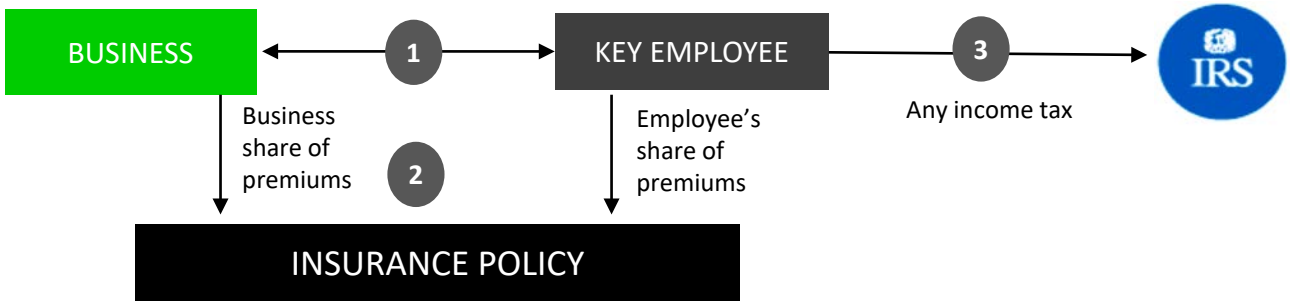
SPLIT-DOLLAR PLANS

Cost effective death benefit, supplemental retirement benefits, or both.

THE BUSINESS AND THE EMPLOYEE AGREE TO SHARE THE BENEFITS AND COSTS

A split-dollar plan may provide a cost-efficient way for the business to offer selected employees valuable death benefit protection, supplemental retirement benefits, or both. In simple terms, the business and the employee can agree to share the benefits and costs of a life insurance policy.

STRATEGY: SPLIT-DOLLAR PLAN



1. The business enters into a written split-dollar agreement with each selected employee. The agreement specifies the rights and responsibilities of each party.
2. Based on the agreement, the business may pay all of the premium or share some of the premium cost with the selected employee. The plan can be designed to leverage the amount of control you would like to have over the policy. Policy ownership and beneficiary arrangement will be determined by the selection of the loan regime or endorsement/economic benefit regime split-dollar plan.
3. Depending on the type of split-dollar arrangement, the employee may pay income tax on the economic benefit received or on the imputed interest income of the loan.

CONSIDERATIONS FOR THE BUSINESS

- The business has discretion regarding which employees can participate
- The plan is generally easy to implement and maintain.
- Cost recovery may be available.

CONSIDERATIONS FOR THE EMPLOYEE

- Depending on the type of split-dollar arrangement, tax-advantaged income may be available from the policy through withdrawals and loans.
- The death benefit is income tax-free.
- A split-dollar plan can be a cost-effective way to obtain survivor benefits and be a possible source of supplemental retirement income.

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