

# 19 YEARS AFTER THE FINAL REGULATION – WHERE ARE WE WITH SPLIT DOLLAR LEVERAGING OF LIFE INSURANCE PREMIUM PAYMENTS?

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## SPLIT DOLLAR LIFE INSURANCE

- What is it?
- Types of Split Dollar Arrangements
  - Economic Benefit Regime – Endorsement
  - Loan Regime – Premium Financing
  - Owner Determines Regime
- Normally Temporary Financing

1

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## SPLIT DOLLAR ARRANGEMENTS – WHICH REGIME?

- Loan Regime – Executive or ILIT
  - Receives Maximum Cash Value
  - Controls Investment
  - Pays AFR
- Economic Benefit Regime
  - Employer Owns and Invests Cash Value
  - Private Split Dollar Uses Non-Equity Arrangement
  - Executive Pays Term Premium

2

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## USES OF SPLIT DOLLAR

- Cross Purchase Buy-Sell Agreement
- Employee Perk
- Informal Funding of Deferred Compensation
- Wealth Transfer

3

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## USE – CROSS PURCHASE

- Purpose
- Split Dollar
  - Advantages: Lower Cash Flow; Average Premiums
  - Use Loan Regime
- Controlling Shareholder – Estate Taxes
- Multiple Policies; Transfer for Value

4

4

## USE – EMPLOYEE PERK

- Low Cost to Executive
- Employer Gets Investment Back
- Sarbanes Oxley
- S Corporations

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