HIGHTOWER

Split-Dollar Life Insurance

CONCEPT APPLIED:
Employers use split-dollar to buy life insurance as a valuable fringe benefit for key employees. Family businesses use this arrangement to benefit family members or a trust established for the family's benefit.

HOW IT WORKS:

There are two split-dollar methods:

1. **Endorsement**—employer-owned policy with an agreement on the employee's rights; and
2. **Collateral Assignment**—employee-owned policy that assigns policy benefits as collateral for the employer's premium advances.

Taxation generally depends on which method is used.

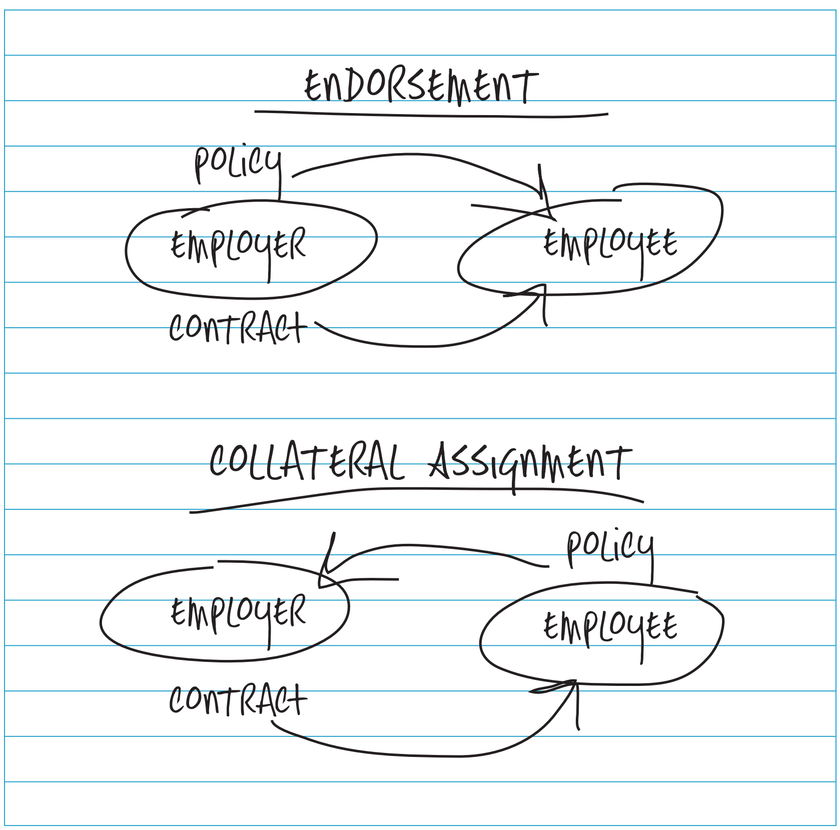
For either method, if the employer's share of cash value is limited to net premiums paid while the employee has access to the policy's remaining cash value, it is an equity arrangement. If the employee has no interest in the policy's cash value, it is a non-equity arrangement.

WHY IS IT USEFUL?

A split-dollar arrangement can be an effective way for employers to cement a solid working relationship with key employees. It's also an arrangement that can play an important role in transferring wealth in family businesses.

50 WORDS OR LESS

A wide variety of split-dollar plans exist today. All involve two or more people or entities splitting the costs and benefits of some sort of permanent life insurance. It's a simple concept that helps an individual buy life insurance at an affordable cost.



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