



# Executive Advantage<sup>SM</sup>

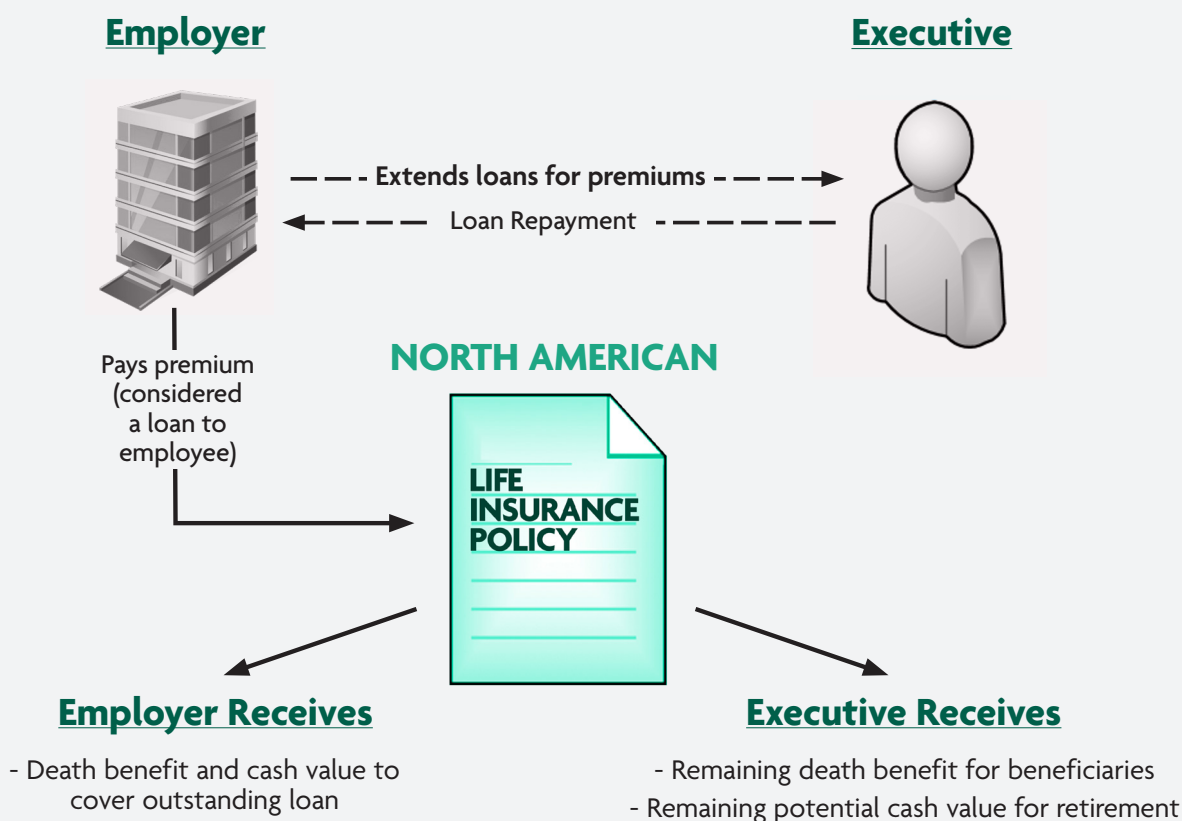
## Loan Regime Split Dollar

Using Life Insurance

### Sales Starter – Quick View

Executive Advantage is a loan regime split dollar arrangement through North American in which life insurance premiums, the death benefit, and cash values are split between two parties - the policyowner (usually an employee) and non-owner (usually an employer). This agreement can be useful for employers who want to recruit, retain, and reward select employees by providing death benefit protection and cash value accumulation. See the example below to get an idea of how an indexed universal life (IUL) illustration might look, and read through the key takeaways.

### How does it work?



# How does it look?

## SAMPLE CASE – BUILDER PLUS IUL® 4

45-year-old male, \$200,000/year premium, retires in year 21 – cash value from the life insurance policy is borrowed as a loan to repay the employer for loaned premium while a retirement income stream is secured.

		Employer's Tax Bracket 21.00%	Executive's Tax Bracket 37.00%	Strat. Accumulator's Interest Rate 6.55%	Initial Policy Death Benefit 2,929,667	Assumed Long-Term AFR for All Years Illustrated 4.61%	Promissory Note Interest Rate 4.61%				
Employer										Executive	
		(1)	(2)	(3)			(7)	(8)	(9)	(10)	
		Net Payment*	Cumulative Net Payments	Portion of Col. (2) Due as a Loan Receivable	Cumulative Charge to Earnings (2) - (3)	Net Policy Loan Proceeds Available for Retirement Income	Year End Policy Accum Value**	Year End Policy Surrender Value**	Year End Policy Surrender Value** Net of Loan Due Employer	Year End Policy Death Benefit Net of Loan Due Employer	
Year	Male Age										
1	45	200,000	200,000	200,000	0	3,411	0	186,393	94,108	-105,892	2,929,667
2	46	200,000	400,000	400,000	0	6,823	0	383,298	295,628	-104,372	2,929,667
3	47	200,000	600,000	600,000	0	10,234	0	592,092	509,036	-90,964	2,929,667
4	48	200,000	800,000	800,000	0	13,646	0	813,177	739,350	-60,650	2,929,667
5	49	200,000	1,000,000	1,000,000	0	17,057	0	1,047,349	982,749	-17,251	2,929,667
6	50	200,000	1,200,000	1,200,000	0	20,468	0	1,295,459	1,240,089	40,089	2,929,667
7	51	200,000	1,400,000	1,400,000	0	23,880	0	1,558,428	1,512,285	112,285	2,929,667
8	52	200,000	1,600,000	1,600,000	0	27,291	0	1,837,577	1,800,663	200,663	2,929,667
9	53	200,000	1,800,000	1,800,000	0	30,703	0	2,134,299	2,106,613	306,613	2,929,667
10	54	200,000	2,000,000	2,000,000	0	0	0	2,449,419	2,430,962	430,962	2,929,667
11	55	200,000	2,200,000	2,200,000	0	0	0	2,797,645	2,797,645	597,645	2,929,667
12	56	200,000	2,400,000	2,400,000	0	0	0	3,169,399	3,169,399	769,399	2,929,667
13	57	200,000	2,600,000	2,600,000	0	0	0	3,566,632	3,566,632	966,632	2,929,667
14	58	200,000	2,800,000	2,800,000	0	0	0	3,991,127	3,991,127	1,191,127	2,929,667
15	59	200,000	3,000,000	3,000,000	0	0	0	4,444,797	4,444,797	1,444,797	2,956,028
16	60	200,000	3,200,000	3,200,000	0	0	0	4,938,799	4,938,799	1,738,799	3,220,440
17	61	200,000	3,400,000	3,400,000	0	57,994	0	5,465,058	5,465,058	2,065,058	3,595,275
18	62	200,000	3,600,000	3,600,000	0	61,405	0	6,025,308	6,025,308	2,425,308	3,991,889
19	63	200,000	3,800,000	3,800,000	0	64,817	0	6,621,499	6,621,499	2,821,499	4,410,659
20	64	200,000	4,000,000	4,000,000	0	68,228	0	7,255,568	7,255,568	3,255,568	4,851,793
21	65	-4,000,000	0	0	0	0	475,000	7,800,515	3,070,443	3,070,443	4,630,546
22	66	0	0	0	0	0	475,000	8,391,905	2,890,146	2,890,146	4,484,608
23	67	0	0	0	0	0	475,000	9,032,942	2,715,511	2,715,511	4,341,441
24	68	0	0	0	0	0	475,000	9,727,618	2,548,023	2,548,023	4,201,717
25	69	0	0	0	0	0	475,000	10,479,872	2,388,969	2,388,969	4,065,749
26	70	0	0	0	0	0	475,000	11,293,990	2,235,836	2,235,836	3,933,934
27	71	0	0	0	0	0	475,000	12,170,000	2,088,000	2,088,000	3,807,084
28	72	0	0	0	0	0	475,000	13,107,000	1,945,000	1,945,000	3,687,084
29	73	0	0	0	0	0	475,000	14,105,000	1,805,000	1,805,000	3,572,084
30	74	0	0	0	0	0	475,000	15,165,000	1,668,000	1,668,000	3,463,084
		0				716,394	4,750,000				

The applicable federal rate provides short, mid, and long-term rates that can be used for calculations.

Loans provided by employer for premium payment.

Executive paying loan interest to employer with interest growing as loan size increases.

Policy values are collaterally assigned to the extent of the loan. Column 9 shows net values after encumbrance and values aligning with policy values when assignment released in retirement.

At retirement when the employer loan is repaid, the executive has full control of policy values and illustrates retirement income.

Loan principal paid back with policy cash value.

Death benefit for executive net of collateral assigned to employer and/or policy loans.

Executive's 30 Year Summary

Executive's 30 Year Summary

The information presented is hypothetical and not intended to project or predict investment results. Illustrations are not complete unless all pages are included. This illustration is not valid unless accompanied by a proposal from North American. InsMark Illustration July 30, 2024.

\*See appropriate Net Payment Analysis for details.

	Living Values†	Death Benefit
Builder Plus IUL 4:	1,812,209	2,883,252
Less Loan Repayment Due Employer:	0	0
Equals Executive's Net Value:	1,812,209	2,883,252
Plus Cumulative After Tax Cash Flow:	4,750,000	4,750,000
Equals Executive's Total Net Value:	6,562,209	7,633,252

The parties to the loan regime split dollar arrangement should seek their own independent legal and tax advice as to whether and how to enter into an economic split dollar arrangement based on the employer's and employee's unique circumstances.

Under a split dollar agreement classified as a welfare benefit plan, the employee must belong to a select group of management, which includes quantitative and qualitative elements. To meet the quantitative standard, plans should be limited to the top 15% of the workforce. To meet the qualitative test, a significant disparity should exist between the average compensation of the top-hat group and the average compensation of all other employees.

To ensure the death benefit proceeds of any employer-owned policy retains its tax-favored treatment, it is essential to comply with the notice and consent requirements of IRC Section 101(j). Under a loan split dollar agreement, the employee enters into an agreement with the employer. North American Company for Life and Health Insurance® is not a party to this agreement and North American's only obligation is to administer the policy it issues consistent with the policy's terms and conditions.

In some situations loans and withdrawals may be subject to federal taxes. North American does not give tax or legal advice. Clients should be instructed to consult with and rely on their own tax advisor or attorney for advice on their specific situation.

Indexed Universal Life Insurance products are not an investment in the "market" or in the applicable index and are subject to all policy fees and charges normally associated with most universal life insurance. Builder Plus IUL®4 is issued on the state version of policy form P100/ICC22P100 including all applicable endorsements and riders, by North American Company for Life and Health Insurance®, West Des Moines, IA. Products, features, riders, endorsements, or issues may not be available in all jurisdictions. Limitations or restrictions may apply.

While the primary use of life insurance is death benefit protection, your clients may also have other needs that can be met through life insurance. The sales concepts and accompanying marketing materials below may help you broaden your sales potential. As independent contractors, it is up to you to choose which of these concepts may work for your particular sales strategy and clients, and which do not. Please note that North American Company does not require you to use any of these sales concepts; they are resources that can be used at your discretion for your own individualized sales presentations. Sammons Financial® is the marketing name for Sammons® Financial Group, Inc.'s member companies, including North American Company for Life and Health Insurance®. Annuities and life insurance are issued by, and product guarantees are solely the responsibility of, North American Company for Life and Health Insurance.

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