UNITED OF OMAHA LIFE INSURANCE COMPANY
COMPANION LIFE INSURANCE COMPANY
MUTUAL of OMAHA AFFILIATES

Business Planning

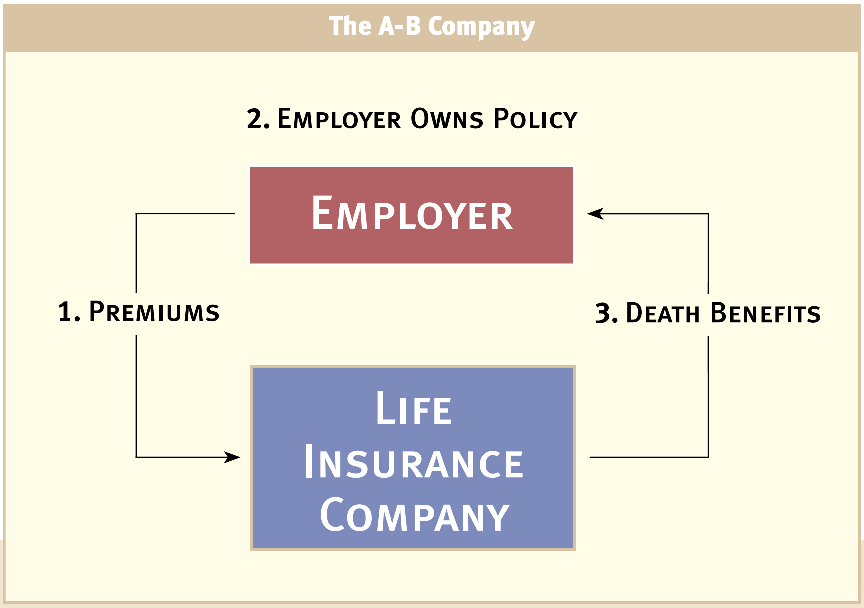
KEY EMPLOYEE LIFE INSURANCE

Key employee life insurance is designed to indemnify your business for the death of an employee who is vital to your continued business success.

How it Works

1. The business pays premiums on a life insurance policy insuring your business' key employee.
2. The business is the owner and beneficiary of the policy.
3. Upon the death of the key employee, the business receives the life insurance death benefit income tax free.*

**Under current federal income tax law*



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Key Employee Life Insurance Advantages and Tax Considerations

Advantages *to the Business*

- Death proceeds help to offset the cost of training a replacement.
- Life insurance provides a hedge against financial loss due to the death of key employee.
- Life insurance strengthens firm's credit.
- Plan provides business with cash values that can be easily accessed for opportunities or emergencies.
- Plan helps assure customers, creditors and employees that business can continue financially.
- Death benefits could be used to pay off outstanding business loans

.***Tax Considerations*** *for the Business**

- Life insurance proceeds received by the employer as beneficiary are income tax free.
- Annual cash value increases are currently tax deferred.
- Premiums paid by employer are not deductible for income tax purposes.
- Death proceeds and annual cash value increases, minus premiums paid, are included in computation for Corporate Alternative Minimum Tax (AMT).**
- If policy is used to provide supplemental retirement benefits, income payments made as a result of a separate agreement are deductible.

**Under current federal income tax law.*
***AMT repealed for small corporations after 1997*

Key Questions:

- Would you like to be able to replace the profits lost if one of your "Key Employees were to die?"
- How valuable is your "Key Employee?"

The purpose of this material is to illustrate a concept. Specific tax or legal questions should be directed to your tax or legal counsel.

Information Needed to Develop a Recommendation:

Name of Business ____

Form of Business ___ Sole Proprietorship ___Partnership ___Corporation ☐ C ☐ S _Limited Liability Company

Key Employee ______________________________ Date of Birth ___________ Income $ ___________

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Key Employee ______________________________ Date of Birth ___________ Income $ ___________

Life Insurance Death Benefit based on __________ years income (typically 3-5)

As part of the Pension Protection Act of 2006, Section 101(j) of the Internal Revenue Code (IRC) became effective on August 18, 2006. This section provides that when an applicable policyholder (employer or related party) is the owner and beneficiary of a life insurance policy insuring the life of an employee, the death benefit may be taxable. This tax consequence can be avoided if the insured is a member of a class exempted from the treatment by IRC Section 101(j) and notice and consent requirements have been satisfied.

It is the employer's responsibility to obtain appropriate tax and legal advice regarding the tax and legal consequences of death benefits paid for employer owned life insurance.

Life insurance underwritten by
UNITED OF OMAHA LIFE INSURANCE COMPANY
Omaha, NE 68175
COMPANION LIFE INSURANCE COMPANY
Hauppauge, NY 11788

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