

## Building Business | with Life Insurance

COMPARISON OF INSURANCE STRATEGIES FOR SMALL BUSINESS OWNERS				
	Key Person	Bonus Plan	Buy-Sell	SERP
Ownership	Employer	Employee	Employee/Employer	Employer
Beneficiary	Employer	Insured or third-party owner	Employee/Employer	Employer
Plan Objective	Provide tax-free funds to business to offset death of key person	Provide employee a portable benefit that he or she controls	Provide fair market value for business interests; funds for business continuation; estate planning	Employer-paid supplemental retirement income benefits to selected executives; death benefits to designated beneficiaries
Tax Consequences	Tax-free to business owner if policy issued in compliance with IRC-§101(j) notice requirement	Bonus is taxable to employee, and deductible to business owner	Insurance proceeds are tax-free to policy owner	Supplemental income is taxable to employee when received, and deductible to employer when paid
Control of Policy Values	Employer	Insured or third-party owner	Employee/Employer	Employer
Use of Insurance Funds	Insurance proceeds used by employer at employee's death for loss of revenue and subsequent recruiting, training and recovery of cost of premium	The benefit is the insurance policy (cash value and death benefit)	Insurance proceeds are used to buy business interests of the deceased business owner from his/her heirs	Policy cash values provide a corporate asset which may be used to distribute retirement benefits to participant executive. If executive dies, death benefit may be used to provide cost recovery to employer.
Plan Administration	No	Some	Some	Yes
Documentation	Corporate resolution	Corporate resolution	Corporate resolution; document for entity, cross-purchase and wait-and-see buy sell agreements	Corporate resolution; plan document; notice letter to Department of Labor; pursuant to IRC Section 409A and regulations

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Life insurance is issued by West Coast Life Insurance Company (WCL), 2801 Highway 280 South, Birmingham, AL 35223.

Not a Deposit	Not Insured by Any Federal Government Agency	
No Bank Guarantee	Not FDIC Insured	May Lose Value