

Executive AdvantageSM

Loan Regime Split Dollar

Using Life Insurance

Problem

Your business-owner clients face the challenge of retaining and rewarding employees. Certain employees could be critical to the life of their business and keeping them committed is essential.

A Solution

Executive Advantage, Midland National's loan regime split dollar strategy, can be used to encourage employee retention. In a split dollar life insurance arrangement, the premiums, death benefit, and cash values are split between an employer and an employee. This strategy can help reduce turnover by rewarding key employees with an exclusive benefit that offers protection during employment for their families, and later, a potential to help supplement retirement income.

Executive Advantage can offer a number of benefits for both the employer and the employee.

For the employer

- No discrimination tests or criteria – the employer can freely choose which key employee receives the benefit
- No IRS pre-approval required
- Flexible plan design and exit options
- Alternative to offering equity in the company
- Ability to recoup costs at retirement, termination, or death

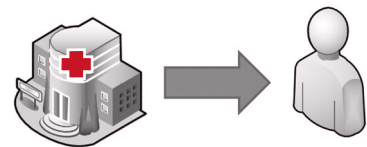
For the employee

- Generally tax-free death benefit
- Opportunity to obtain life insurance benefit for minimal expense
- Often designed so that the employee owns the policy and potential cash value during retirement
- An alternative to partial interest in the company

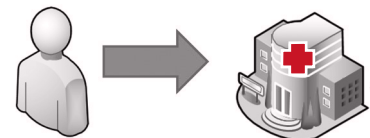
Hypothetical Case Study

Your client is the founder of a prominent ear, nose and throat clinic based in a rapidly growing community. Two years ago, two of your client's physicians left to start their own clinic in a new up-and-coming suburb. Since then, a top specialist has joined your client's clinic and your client is close to recruiting a second. In an effort to prevent losing quality physicians in the future, your client works with an attorney to implement a split dollar agreement using the loan regime design.

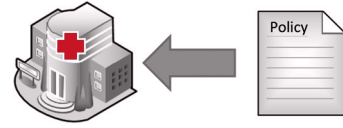
1. The clinic lends the valued physicians the funds to purchase Midland National's Strategic Accumulator® IUL 3 indexed universal life (IUL) insurance policy.



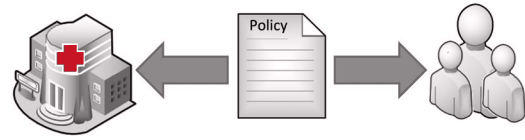
2. Annually, the physicians pay loan interest to their employer (the clinic). This interest is taxable income to the clinic.



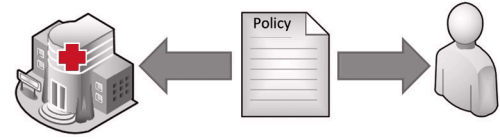
3. The plan is structured so that if a physician leaves the clinic, the clinic is repaid the amount of premiums lent to the physician from the policy's cash surrender value with a collateral assignment.



4. If the physician dies, a portion of the death benefit equal to the clinic's premium is paid to the clinic. Any remaining death benefit is paid to the physician's beneficiaries.



5. If the physician stays with the clinic until retirement, a portion of any of the policy's cash surrender value equal to the clinic's premium is paid to the clinic. The policy and any remaining cash value belong to the physician and the collateral assignment against the policy is released.



<p>Annual Premium \$200,000 paid by clinic</p>	<p>Death Benefit</p> <table> <tr> <td>Day 1</td> <td>\$2,929,667</td> </tr> <tr> <td>Age 65</td> <td>\$8,883,323</td> </tr> </table>	Day 1	\$2,929,667	Age 65	\$8,883,323	<p>At Retirement (Age 65)</p> <table> <tr> <td>Cash Value age 65</td> <td>\$7,281,411</td> </tr> <tr> <td>Clinic's Paid Premium</td> <td>- \$4,000,000</td> </tr> <tr> <td>Cash Value age 66</td> <td>\$3,593,618</td> </tr> </table>	Cash Value age 65	\$7,281,411	Clinic's Paid Premium	- \$4,000,000	Cash Value age 66	\$3,593,618
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Male, Age 45 • Preferred NT • Strategic Accumulator 3 • Return of Premium DB • \$200,000 Annual Premium to Age 65
 Illustrated at 6.55% • Fixed Participating Loan¹ at Age 65 • Strategic Accumulator 3 was chosen in this example for its potential long-term cash value accumulation. Midland National offers several indexed universal life insurance products. Hypothetical examples and illustrations are not intended to predict future performance. The use of alternate assumptions could produce significantly different results. Illustrations are not complete unless all pages are included. InsMark Illustration: February 4, 2026.

Case design tips

- Be sure to design the policy to meet the client's anticipated annual retirement income goals while ensuring the specified amount is enough to attain the client's pre-retirement life insurance death benefit needs.
- A minimum death benefit solve with Return of Premium² Death Benefit Option can help control policy charges which can reduce the cash value of the policy.
- Return of Premium Death Benefit Option² can help ensure the death benefit covers the company's interest in the policy.

Be sure to discuss with clients that performance is not guaranteed and depending on funding, life insurance may not guarantee avoiding the loss of premium.

Next steps

1. Make a list of clients that own businesses or hold leadership positions within their organization.
2. Reach out to them to see if they have a plan in place to retain key employees.
3. Share how Midland National's Executive Advantage plan could be used to fund a life insurance policy, offering an exclusive way to help reward and retain top employees.
4. Contact the Midland National Advanced Markets team for help with designing your case.

As independent financial professionals, it is up to you to choose whether this sales concept might be appropriate for use with your particular sales strategy and clients. Please note that Midland National does not require you to use any of these sales concepts; they are resources that can be used at your option for your own individualized sales presentations if appropriate for the particular client and circumstances.

Neither Midland National nor its agents give tax advice. Please advise your customers to consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.

1. The net cost of a Fixed Interest Participating Policy Loan could be negative if the credits earned are less than the interest charged. The net cost of the loan could also be larger than under standard policy loans if the amount credited is less than the interest charged. In the extreme example, the amount credited could be zero and the net cost of the loan would equal the maximum interest rate charged less any guaranteed bonus. In brief, fixed interest rate loans have more uncertainty than standard policy loans in the interest rate credited.

2. Return of Death Benefit option is subject to eligibility requirements.

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.

Under a loan split dollar agreement, the employee enters into an agreement with the employer. Midland National® Life Insurance Company is not a party to this agreement and Midland National's only obligation is to administer the policy it issues (consistent with the policy's terms and conditions).

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.



Strategic Accumulator® IUL 3 is issued on the state version of policy form PI00/ICC22PI00 including all applicable endorsements and riders, by Midland National® Life Insurance Company, West Des Moines, IA. Products, features, riders, endorsements, or issues ages may not be available in all jurisdictions. Limitations or restrictions may apply.
 Sammons Financial® is the marketing name for Sammons® Financial Group, Inc.'s member companies, including Midland National® Life Insurance Company. Annuities and life insurance are issued by, and product guarantees are solely the responsibility of, Midland National Life Insurance Company.