Choosing the right Executive Benefit Strategy

Helping your clients choose the right executive benefit strategy using life insurance for their business can assist with attracting, rewarding, and retaining key employees while aligning long-term incentives with business objectives.

Start with three key questions

1. ***What is the goal? Recruit, retain, reward***
2. ***Is a current deduction important?***
3. ***How much retention leverage is needed?***

Executive Benefit Strategy Options

Executive Bonus	Restricted Endorsement Bonus Arrangement	Loan Regime Split Dollar	Endorsement Split-Dollar	Deferred Compensation
Reward key employees with a straightforward strategy and immediate ownership	Add retention value to a familiar bonus strategy	Balance executive benefits with employer cost recovery	Provide meaningful current benefits while maintaining employer control	Create a future benefit tied to performance or longevity
Tax Notes Current deduction; taxable to employee	**Tax Notes** Current deduction/ taxation; access restricted	**Tax Notes** Structure-dependent; loan regime rules apply	**Tax Notes** No current deduction; annual economic benefit taxed	**Tax Notes** Future deduction and taxation to employee when benefit is paid
Client Profile Best when the objective is recognition, recruitment, or rewarding performance	**Client Profile** Best when rewarding employees while encouraging long-term commitment	**Client Profile** Best when flexibility and retention are both priorities	**Client Profile** Best when long-term retention and policy ownership are important	**Client Profile** Best when maximizing retention and rewarding key executives over time

Employer Retention Factor

Employee Access — Lower employer control/immediate access

Employer Control — Higher employer control/deferred access

Align the strategy. Help achieve the outcome.

By matching design to organizational objectives, employers can create meaningful current strategies that help drive the company forward. ***Start the conversation by uncovering your client's goals for attracting, rewarding, and retaining key talent.***

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 an endorsement split dollar arrangement, the employee enters into an agreement with their employer. Midland National 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.

Under an endorsement split dollar arrangement, the value of the life insurance afforded the employee is taxable to the employee. The employer should provide the employee with tax reporting based on requirements specified in the tax code. The parties to the endorsement split dollar arrangement should seek their own independent legal and tax advice as to whether and how to enter into an endorsement split dollar arrangement based on the employer's and employee's unique circumstances.

Under a split dollar agreement that is 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 arrangement, 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).

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 a loan regime split-dollar arrangement based on the employer's and employee's unique circumstances.

As independent financial professionals, it is up to you to choose whether any of the sales concepts contained in these materials 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.