TRISCEND NP

UNDERSTANDING SPLIT DOLLAR ARRANGEMENTS

Maintaining Compliance and Minimizing Uncertainty

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The Power of a New Perspective

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Introduction

Split dollar arrangements are increasingly prevalent in nonprofit organizations of all types for a variety of reasons including expense reduction and long-term capital growth. In fact, nonprofit organizations commit hundreds of millions of dollars to these arrangements annually as a way to more effectively reward and retain their most valuable employees. Designed, implemented and administered properly, split dollar arrangements can be of tremendous value to both the employer and the employee. However, plans with design weaknesses, volatile assets, and no/poor ongoing maintenance have the potential for significant negative results affecting the employer and the key employee alike.

Split Dollar Regulatory Compliance and Plan Objectives

Split Dollar Background [1]

Split dollar life insurance (split dollar) arrangements involve the sharing of the costs and benefits of a life insurance policy or policies between two parties, commonly an employer and key employee. Since the 1950's, split dollar has been a popular way for companies to provide key employees a significant benefit. Split dollar confounded the Internal Revenue Service (IRS) for decades as it searched for the proper way to regulate these arrangements and integrate them into the Internal Revenue Code (Code). Originally, the IRS treated split dollar as an interest-free loan from the employer to an employee which did not cause the employee to realize any taxable income.

In September of 2003, after many years of trying, the IRS issued its final split dollar regulations providing much-needed clarity on proper plan structuring. Among other things, the rules divided split dollar plans into two distinct types: Economic Benefit (economic benefit) regime and Loan (loan) regime with rules for each. Not only did this provide the guidance required to design these arrangements correctly, but it also allowed split dollar to better fit within the tax code in general.

Below, we discuss some (but not all) of the more important issues and aspects of split dollar arrangements.

Regime Differences

The purpose of each split dollar regime is different, and these differences extend to the key employee and the employer as well. The economic benefit regime design is used to efficiently provide death benefit coverage for a key employee during their employment years. The death benefit coverage has value and results in income inclusion for the key employee. This value is determined either by using IRS tables or the life insurance carrier's annually renewable term rates.

Loan regime plans, on the other hand, are intended to accumulate assets that the executive can access in the future along with death benefit coverage pre and post-retirement. For the economics to be favorable for both parties, the plans require the achievement of two distinct goals.

- Repay the employer's premiums (at a minimum).
- Accumulate cash values accessible to the executive.

[1] Triscend[NP] does not provide tax or legal advice. Consult your independent advisers on these matters.

Conflicting Objectives

While the economic benefit regime form of split dollar is straightforward with the key employee recognizing the value of the coverage received as income, the loan regime is more nuanced. With loan regime split dollar, there are two concurrent objectives the employer, and key employee are working to achieve. Most importantly, the premiums paid by the employer (frequently with interest) must be returned at some point in the future depending on the terms of the agreement. All, or a portion, of the death benefit, is allocated to the employer to make good on this obligation. Secondly, the key employee is anticipating access to policy value during retirement.

Those not familiar with the operation of life insurance policies may not recognize this conflict and the influence it could have on plan compliance. Key employee access to policy value (presumably at retirement), reduces both the surrender value[2] and the death benefit. Unfettered access to policy value by the key employee, impaired policy performance or both could cause the death benefit to reach a level that is not sufficient to repay the premiums to the employer.

Compliance Considerations

Regardless of the intent of the arrangement, the IRS has created a straightforward way to distinguish between the two regimes, and it relates to the order in which the owners are named on the life insurance policy. That is, if the employer is named first as an owner of the life insurance policy, the plan will be deemed economic benefit split dollar. Conversely, naming the key executive as the first owner of the life insurance policy will cause the arrangement to be treated consistently with loan regime rules. While simple, it is critical that plan participants confirm the ownership of the life insurance policy or policies is correct and reflects the intent of the parties.

Once policy ownership is confirmed to be correct, participants in the economic benefit form of split dollar should ensure the value of the death benefit coverage received by the key employee is calculated correctly. This value drives the amount of income recognized by the key employee. According to the IRS, this death benefit is valued on a per 1,000 dollars of insurance basis with those rates being provided by IRS Table 2001 or the insurance company's rates for term coverage. Using the life insurance company's (annually renewable term) rates generally result in lower income recognition and are favored by most participants if available.

Determining income inclusion for loan regime plans is entirely different. Consistent with its name, the loan form of split dollar treats the premiums paid by the employer to the insurance policy as loans (for tax purposes only) to the key employee. These "loans" bear interest the key employee must pay or have forgiven by the employer. The loan and sufficient interest must be paid back to avoid income inclusion. These interest rates are published monthly by the Department of the Treasury and are referred to as short, mid and long-term Applicable Federal Rates (AFR). Selection of the proper rate should reflect the anticipated term of the plan and other factors from the plan agreement.

Questions to ask

- What is the principal purpose of the plan and is policy ownership consistent with split dollar regulations?
- Is the proper interest rate being used and is the interest paid or forgiven?
- Is the obligation to the employer secured?
- Are there controls on the amount of value the employee can access during retirement?

[2] The value at which the policy could be surrendered to the insurance company for cash.

Understanding the Terms of the Split Dollar Agreement

Split dollar plans are arrangements that typically remain in place for the lifetime of the participating key employee. The longevity of the plan means the employer will be a party to the agreement potentially decades after the key employee has retired. Accordingly, a sound plan document must exist, so future leadership teams and Boards of Directors are not in the position of making interpretations years in the future.

Split dollar arrangments are customized transactions, and there are numerous ways to implement a compliant, carefully considered plan. That said, it is critical to document the terms of the deal with specificity in the Split Dollar Agreement (agreement). While this may sound obvious, Triscend NP has encountered situations where the split dollar arrangement exists on what amounts to a "handshake," or the agreement was vague, misunderstood or omitted key elements with the potential to cause conflict between the parties in the future. The best agreements are explicit, written in clear language and leave no room for doubt as to the intentions of the parties.[3]

Below we discuss some of the more relevant terms in a typical agreement. We make these comments within the context of a loan regime split dollar arrangement. It is fundamental to understand that many of the contract terms are interconnected; that is, the various terms of the agreement do not exist in a vacuum; they impact other parts of the agreement. Further, the split dollar agreement should not conflict with other related documents, such as the key employee's employment agreement.

Plan Funding

Split dollar plans can be funded in one of two ways; fully at implementation or over a defined period of years. Either way is acceptable as long as the impact of the funding decision on the remainder of the agreement and the economics of the transaction are understood. Both funding methods have advantages and disadvantages, and the particular facts and circumstances of the employer and key employee are essential considerations when making this decision.

Fully funding the arrangement at implementation certainly has its benefits. First, making a single split dollar "loan" allows for the AFR to be set and remain unchanged for the life of the agreement eliminating a significant potential uncertainty. This funding method also allows for greater design flexibility and overall plan efficiency. The primary disadvantage to funding the entire program at implementation is the effect on the employer's cash flow. Split dollar arrangements can require significant capital, and if the employer is cash flow sensitive, an installment approach may be more sensible.

Should the installment approach be elected, each loan tranche will bear the AFR in effect at the time each premium ("loan") is paid resulting in the major drawback of funding the plan in this manner. While more favorable from a cash flow perspective; predicting what the AFR will be in the future is impossible. As a result, the plan design must anticipate increases in the AFR over the installment period to maintain compliance. Various forecasting methods can be used to predict future rates but, due to the potentially unreliable nature of these estimates, a significantly higher AFR should be assumed to maintain compliance.

Declaration of Interest Rate

The interest on a split dollar plan can be accrued and paid or forgiven. Determining an appropriate interest rate and the payment method is vital. The interest rate will be no less than the AFR in effect at the time of the loan and based on the anticipated term of the arrangement and other provisions in the agreement. If the agreement stipulates the employer will be paid back at mortality, the interest rate will most likely be the long-term rate.[4] Fully funding the plan at implementation simplifies the determination of the interest rate as it will be the one in effect at the time. With one AFR in place, administration, financial reporting, and compliance are less complicated.

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[3] Triscend NP does not provide tax or legal advice. Consult your independent advisers on these matters.
[4] Most loan regime split dollar arrangements assume the long-term AFR.

Occasionally we see "demand" loans [5] where the employer can force repayment of the split dollar loan at any time. The parties implement a demand loan structure when they wish to use the (typically lower) short-term AFR. While the short-term rate can be seductive, it will fluctuate annually over the lifetime of the arrangement. Moreover, the level of uncertainty from the key employee's perspective that comes with a demand loan design may eliminate the benefits of the plan overall.

Vesting and Effect of Termination

Split dollar arrangements are commonly used to retain a key employee for a predetermined number of years. The period usually coincides with employment contract terms, critical projects, planned retirement or other events. The employer often ties access to the split dollar plan to continued employment in the same or similar capacity for the determined timeframe. The key employee's vesting in the benefit can either happen incrementally or all at once, and the split dollar agreement should be clear on this matter.

Achieving full vesting means the key employee has access to all of the projected plan benefits, but it is important for the parties to consider the various events that could lead to partial or complete forfeiture of the benefit and craft the contractual language appropriately. Events typically affecting vesting are:

> **Disability:** The document should define disability and should not create a conflict with the key employee's employment or other related agreements. In most of the arrangements we have seen, disability results in some level of immediate vesting in the benefit but not always full vesting.
>
> **Voluntary Termination:** Voluntary termination will result in at least a partial forfeiture of the projected benefit, depending on the timing and the vesting schedule.
>
> **Termination for Cause:** The definition of this type of separation is usually quite precise. In all of the cases, we have encountered, termination for cause results in complete forfeiture of the projected benefit.
>
> **Change of Control:** Many industries are consolidating, including nonprofit organizations. Therefore, it is wise to consider the impact an acquisition or merger with another employer would have on the split dollar arrangement. Many organizations elect to define this term and in certain situations, wholly or partially vest the key employee in the projected benefit.

Limitations on Policy Access

The flexibility the key employee has in accessing the value in the life insurance policy requires significant thought. Similar to the allocation of death benefits discussion below, access needs to be negotiated into the final agreement and not left for future interpretation. While we see many variations, the terms fall into two categories. First, a key employee has limited access to policy cash flow and can access policy value up to a certain limit and for a specified period of years.

Alternatively, the employer can provide the key employee with unlimited access to policy values (both years and amount). This policy access should, of course, not threaten plan compliance. Specifically, unlimited access cannot jeopardize the repayment of the employer's funding including interest if applicable. The employer and key employee should carefully consider this issue and find a balance between the executive's desired flexibility, the objectives of the employer and the need to remain compliant.

Allocation of Death Benefits

At a minimum, the policy associated with a split dollar arrangement must maintain a death benefit at least equal to the amount owed to the employer at all times. The sum owed can be limited to the funds paid by the employer or the funds could accrue interest. If interest accrues, it is difficult to impossible to design a life insurance policy with a death benefit that tracks the amount owed to the

[5] Within the rules related to loan regime split dollar, loans are classified as term, demand or hybrid.

employer in any given year. Therefore, additional death benefit should be added to the policy to ensure there is always enough death benefit even if the policy underperforms. This extra amount can result in what we refer to as "excess" death benefit or death benefit at mortality that exceeds the amount owed to the employer.

Depending on the amount of value the key employee has accessed before death, the remaining death benefit can be significant. The sharing of this excess death benefit is a central matter and should be part of the split dollar agreement negotiations.

Questions to ask:

- Could someone without firsthand knowledge of the arrangement read your split dollar agreement and understand the intent of the parties?
- Are there any areas in the agreement that are vague or could lead to multiple interpretations?

Concurrent with negotiating the terms of the split dollar agreement, the insurance policies are designed, underwritten and placed. The discussion now shifts to other decisions commonly made as part of the design of a split dollar arrangement. These decisions will involve life insurance product selection, design variables, and managing volatility.

Product Selection, Design Variables, and Managing Volatility

Once the plan is structured in a compliant manner, and the terms of the agreement are understood and meet the requirements of the parties, we turn our attention to product selection and design. First and foremost, the parties must select product types that are congruent with their respective risk tolerances. Remember, there are two objectives in a split dollar arrangement; retirement cash flows and repayment of the obligation to the employer. These conflicting goals could result in the key employee and employer having different tolerances as to risk, especially as it relates to rate of return (policy crediting) assumptions. That is, the employee may be willing to take on a higher level of risk to maximize retirement cash flows, where the employer may be more conservative to protect its position.

Product Selection

Risk tolerance should drive product selection. Split dollar arrangements require the use of permanent insurance, and there are several product types from which to choose that offer varying levels of risk and expected policy crediting. On the low-end of the risk continuum are products with fixed crediting rates such as whole life (WL) and universal life (UL) insurance products. Crediting rates on these products are determined annually and based on the performance of the life insurance carrier's general account investments. On the opposite end of the risk continuum, are variable universal life (VUL) insurance policies that credit based on the performance of "separate accounts" which are similar to mutual funds. The policy owner selects the separate accounts to which the cash value of the policy is allocated and can change these allocations from time to time. The crediting on these policies fluctuates and can result in both negative and positive returns. In the middle of the continuum are indexed universal life (IUL) insurance products. These policies credit based on the changes in a major market index but within an established range referred to as a "collar." As an example, a typical approach to IUL crediting is based on changes in the S&P 500 Index on an annual basis with a minimum crediting rate of 0% and a maximum crediting rate of 12%.

The higher the assumed crediting rate, the lower the amount of capital the employer has to commit to funding the arrangement. As a result, it is important for the parties to remain disciplined and avoid falling into the trap of being overly optimistic with crediting assumptions as a way to reduce the amount of capital required to implement the split dollar plan.

Select Design Variables

Crediting

Once the policy type is selected, the parties should give ample consideration to the crediting rate assumed for the life insurance illustrations. Even in situations where a whole life or universal life policy is elected, the parties should evaluate the likelihood the crediting/dividend rates will not fall below current levels for an extended period. If there is a concern, a lower crediting rate should be assumed to ensure the plan remains compliant and the projections are realistic throughout its lifecycle. For policy types where crediting is not “fixed,” a rational method for determining an expected crediting rate should be employed.

Access to Policy Value

In loan regime split dollar arrangements, the key employee intends to access the cash value of the policy at a future point, such as during retirement. There are two ways for key employees to gain access to the policy’s cash value, withdrawal or policy loan. Understanding the impact of each of the key decisions within these options are important and affect the success of the plan.

Withdrawals remove cash value from the life insurance policy permanently and are limited to the basis in the policy. Withdrawals over basis are likely to have tax implications for the key employee. Permanent removal of cash value from the policy can also have negative performance implications which the parties should consider. The other option is a policy loan. With loans, the key employee borrows from the insurance company and uses the policy as collateral. The insurance company charges interest on the policy loan, but the cash remains in the policy where any positive crediting can provide an offset to the interest. Insurance companies tend to offer more than one type of policy loan option (such as fixed, indexed and variable) and the parties need to understand the implications of each option. Regardless of the method chosen the key employee should avoid overly aggressive access to policy value as it may result in a lapse in coverage.

Applicable Federal Rate (AFR)

The AFR is the rate at which the premiums paid by the employer (considered a loan for tax purposes) will bear interest. This interest can either be paid (generally at death) or forgiven (resulting in income inclusion for the key employee). It is also one of the important considerations when the parties address the volatility of the plan and ways to mitigate the potential for changes in the AFR.

Managing Volatility

Several types of volatility can affect the success of the split dollar plan. Being materially wrong on any of these discrete assumptions or a combination of assumptions could lead to issues with the plan going forward. As a result, the parties should take measures to account for and manage volatility at the outset. The goal is to build a plan that is resilient and achieves its objectives even in the face of less than expected policy performance.

Crediting

Based on our experience, Triscend^NP will not implement a split dollar plan that utilizes VUL in its design. Triscend^NP believes there is simply too much crediting rate risk and no reliable way to mitigate such risk without the possibility of negative returns. This leaves UL, WL, and IUL as prudent choices for a split dollar arrangement. While WL and UL crediting rates fluctuate over time, these changes tend to be gradual. Given the low-interest rate environment, we believe that assuming current crediting rates for these product types is reasonable for the long-term.

While IUL is a viable option for split dollar, its crediting will vary more than UL and WL options. The collar reduces much of the volatility in an IUL policy, but crediting will still fluctuate. We believe the potential for higher policy crediting is a practical trade-off, but we encourage our clients to take a prudent and reasonable approach to determining the crediting rate for projections. The most common methods we see are internal rates of return (IRR) and confidence intervals over a relevant historical period. Once you have derived the expected crediting rate, check that rate using other financial and statistical methods to confirm reasonableness. It is also wise to "stress test" your projections with lower rates of return to understand the effect on plan performance.

Borrowing Rate

Fixed policy loans provide for both the interest rate and the crediting rate on the borrowed funds to remain unchanged. This loan type is the least volatile choice with respect to a policy loan. Indexed loans allow for the crediting to float within the collar but the loan interest rate remains the same. Finally, variable loans allow both the interest rate and crediting rate to fluctuate. With indexed and variable loans there is a possibility that the loan interest will exceed policy crediting potentially for extended periods. This "negative" arbitrage can have a significant effect on policy performance and may lead to the selection of a more conservative option.

Again, the key employee and employer should carefully evaluate the options and ensure their choice reflects their respective risk tolerances.

Applicable Federal Rate (AFR)

One of the key areas of volatility in a split dollar arrangement is the movement in the AFR over time. Certain design decisions allow this rate to fluctuate over the life of the plan, which could lead to plan failure or adverse tax consequences to the key employee. The solution to eliminating the variability of the AFR over the life of the arrangement is to fund the arrangement fully at implementation and select the long-term AFR as the interest rate. Using this approach, the rate is static for the life of the plan, and the associated life insurance policy can be designed with greater precision and confidence.

Additional Note

Two tests define life insurance policies for tax purposes, the guideline premium test (GPT) and the cash value accumulation test (CVAT). In general, GPT designs tend to be more efficient from a cash accumulation perspective, and CVAT works best for the provision of a death benefit. Herein lies a tension for split dollar plans using a single life insurance policy. The key employee desires cash value efficiency, and the employer requires a sufficient death benefit so it can recover its capital.

While the definition of life insurance (GPT or CVAT) is not subject to change once the choice is made, it is a critical factor as to the policy's ability to withstand other volatile elements. In particular, selecting the CVAT design eliminates the availability of an overloan protection rider (or similar) which can prevent the policy from lapsing due to key employee borrowing. Should the policy lapse during the key employee's life, all policy loans to date are likely to be includible in the key employee's income. Adding a rider to the policy that protects the key employee from this outcome is a critical component that must be part of evaluating the design of a split dollar plan.

With the split dollar plan properly structured and populated with the proper insurance products, the focus changes to life after implementation. Like any other plan, split dollar arrangements require consistent maintenance not only as to the life insurance policies but also financial reporting. Next, we look at the ongoing service requirement of split dollar arrangements and the factors that influence plan accounting. Lastly, we review ways to revise existing plans to eliminate weaknesses and increase the probability of success going forward.

Accounting Considerations, Ongoing Plan Maintenance, and Revising Existing Plans

We will close this document with comments on the life of a split dollar arrangement after implementation along with some suggestions on modifying existing plans to eliminate or mitigate some of the weaknesses previously detailed. So far we have covered the important facets of split dollar plans up to the point of implementation. Many would consider this to be the end of the road when, in fact, it is just the beginning. While the process of designing, underwriting and implementing a split dollar arrangement can take months, the plan will more than likely be in place for decades making the need for consistent maintenance and administrative support a must.

Plan Accounting

Proper accounting for split dollar plans is based on the codification resulting from EITF [6] Issue 06-10. According to the EITF, two primary issues must be considered when determining the accounting treatment of a split dollar plan.[7]

1. Should the employer record a liability for obligations to the employee after retirement?

   The determination is based on both the explicit and implicit agreement between the employer and key employee. It is also affected by the employer's handling of similar arrangements in the past. As a result, it is important for the agreement to reflect all intentions clearly and for the parties to act in accordance with the agreement. For example, if the employer agrees to, either formally or informally, make additional premium payments in the future if the policy underperforms, a liability would probably be recorded. However, if it is evident the arrangement is settled and no further obligation by the employer exists regardless of policy performance, this liability could be avoided so long as the employer's actions are consistent.

2. How should the employer recognize and measure the asset in a split dollar arrangement?

   The answer to this question will depend on the terms of the arrangement and the rights the employer has concerning the collateral (life insurance policy). In general, the value of the asset will be the amount the employer could recover if the arrangement were to terminate at any given point in time. For example, if the employer's recovery is limited to the cash surrender value of the life insurance policy, the asset on the employer's financial statements should be that amount, adjusted at least annually. In rare circumstances, we have seen the employer's recovery rights include an amount greater than the cash value of the policy. In this case, the employer could have a case for recording the asset at a higher level.

Split dollar arrangements can have favorable accounting treatment, but employers should be diligent and consider all facts and circumstances when determining the method for recording the transaction.

Ongoing Maintenance

Triscend^NP recommends the employer contract with a firm skilled in administering split dollar arrangements that ha the information systems in place to track critical data and produce accurate and timely reports. Ideally, this would be the firm that designs and implements the plan, but not all companies have comprehensive capabilities. There are several categories of tasks occurring after the implementation of the plan. We discuss each briefly below and why they are important to both parties in the arrangement.

- *Introductory Meeting.* As part of the process of implementing a plan, Triscend^NP believes both the employer and key employee should have intimate knowledge of how the plan works, the assumptions made in its design and the projected results. That said, the employer should consider reviewing these details with the key employee shortly after implementation to ensure complete understanding of the most important aspects of the plan and what it is designed to accomplish.

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[6] The Financial Accounting Standards Board's (FASB), Emerging Issues Task Force (EITF).
[7] Triscend^NP does not provide accounting advice. Consult with your independent adviser on these matters.

- *Periodic Communications.* On a regular basis, relevant information should be provided to the parties, including:

    - *Employer Financial Reporting.* Organizations implementing split dollar arrangements must not only record the initial funding transaction but, consistent with current accounting guidance, continue to update their financial statements to reflect changes in the plan over time. These updates should be recorded no less than annually, although most of our clients prefer to do this on a quarterly basis. It is important for the employer to have the data necessary to make the proper entries and to ensure those entries are discussed with their tax and accounting advisers.

    - *Policy Performance.* It is known with certainty that actual crediting on the life insurance policy will always be different from the original projections. Because of this, one of the more important aspects of periodic reporting is the information on policy performance. Timely reporting comparing actual performance to projected performance is a big part of post-implementation service.

    - *Assist with Tax Filings.* For each year in which the employer pays premiums on the policy, both the employer and employee should file a representation with their respective tax returns indicating that a "reasonable person" would expect the employer's premiums to be repaid.

      Also, if the arrangement is fully funded at implementation, the excess funds held by the insurance company will probably earn interest before being paid to the policy as premium. This interest is usually reportable to the key employee and includible in income.

- *Annual Meetings.* Maintaining a client's understanding of the plan is vital and reviewing the details of the arrangement during the annual meeting is designed to do just that. It is also a perfect time to update plan documents to reflect changes from the preceding year. An example of such changes would be, board composition updates, addresses, beneficiaries, and the like.

    - *Key Employee Plan Review.* On an annual basis, the split dollar plan should be reviewed from the key employee's perspective. Much of this review is centered on policy performance, particularly as it relates to the original plan. Performance should be evaluated on multiple fronts including, crediting, cash value accumulation, projected cash flow, and ability to repay the employer's premiums.

      Even though the life insurance policies may have an assumed crediting rate that is conservative, the experience is always different than the original projections. This experience can be more or less favorable than expected but it will affect the policies nonetheless. Should underperformance persist over time, adjustments to the policy should be considered so that the policy continues to meet expectations of the employer and key employee.

    - *Employer Review.* While the key employee's perspective is valuable, the employer needs to be aware of policy performance from its perspective. Most important to the employer will be the accumulation of cash value versus projections and the maintenance of sufficient death benefit relative to its premiums paid.

Revisions to Existing Plans

Even if your split dollar arrangement has one or more of the weaknesses we have identified in this document, all is not lost. Frequently, existing plans can be modified to address these issues and improve the relative positions of the organization and executive moving forward. [8]

- *Policy Type.* If there is concern that the existing policy lacks efficiency or crediting is too volatile, it is possible to exchange the current policy for one that is more consistent with the risk tolerances of the parties. Should this be considered, both employer and key employee should be aware of surrender and other charges and incorporate those factors into the decision process. Assuming certain conditions are met, this exchange can be accomplished on a tax-free basis.

- *Eliminate AFR Uncertainty.* Depending upon the terms of the plan, the AFR could be a key point of uncertainty. With AFRs near all-time lows, it could be wise for the parties to reevaluate the terms of the split dollar arrangement regarding the method used to set the interest rate.

- *Secure Employer Position.* In some circumstances, employers become concerned that the key employee's access to policy values could compromise its position and the probability it will receive a return of premiums (including interest) if applicable. One potential solution is to isolate the obligation to repay the employer into a separate asset.

Understanding the most important factors impacting the success of a plan equips the parties to make wise decisions and structure the plan to achieve its goals with increased probability. Triscend[NP]'s purpose is to educate both nonprofit employers and executives participating in or considering participation in a split dollar plan. To the extent split dollar plans are better designed, implemented and maintained there is a gain for all parties involved in the plan.

[8] Triscend[NP] does not provide tax, accounting or legal advice. Consult your independent adviser for guidance before proceeding with any plan modifications.

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USE OUR EXPERTISE FOR YOUR BENEFIT

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