



# Employee retention made easy with a Split Dollar Plan

## Discover the benefits of a Loan Regime Split Dollar Arrangement

When it comes to ensuring the continued success of your business, the last thing you need is to lose one of your key employees to the competition. Finding a way to provide these top performers with a valuable benefit — one that won't be too hard on your bottom line and is easy to administer — could be an ideal solution for you and the employees you choose to participate.

Top executives today want more than just a paycheck. They routinely look for additional benefits to reward the valuable contributions they bring to the table. A Split Dollar Plan is an executive benefit program that can enable you to satisfy these key employees.

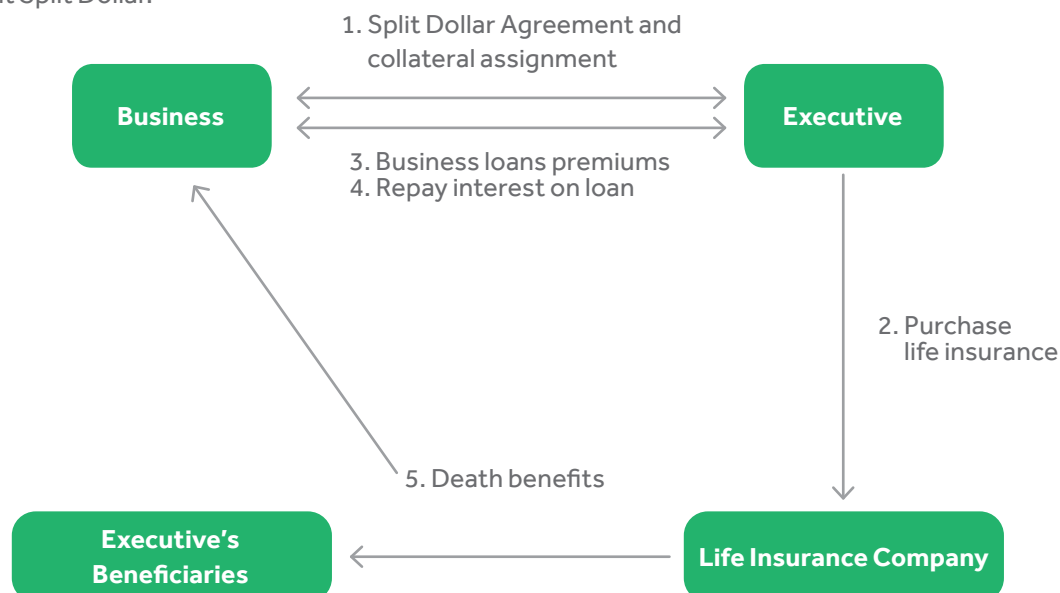
### What is a Split Dollar Plan?

In a Split Dollar Plan, the employer and the employee "split" the main components of a life insurance policy: the premium, the death benefit, and the cash value. A Split Dollar Plan is comprised of two specific elements: 1. A life insurance policy; and 2. A legal agreement drafted by the client's attorney. The legal agreement spells out how the employer and employee will split the main components of the life insurance policy. It also addresses all the rights and obligations of the parties. There are two main forms of Split Dollar: Loan Regime Split Dollar and Economic Benefit Split Dollar.



### How a Loan Regime Split Dollar Arrangement works

With a Loan Regime Split Dollar Arrangement, the employee owns the policy that funds the arrangement, and the employer loans the employee money to pay the premium at the Applicable Federal Rate (AFR). The specific AFR that may be used for the loan is dependent upon whether the loan is structured as a demand or term loan, and if it is the latter, the length of the term. The employer receives a portion of the cash value and death benefit equal to the loan, until it is repaid. At the time of rollout (when the arrangement ends), the loan can be forgiven or potentially repaid from policy cash values.



# Advantages

The Split Dollar Plan offers advantages for both your business and your participating employees:

## Advantages for your business

- **It's flexible:** You can choose which employee(s) will participate in the Split Dollar Plan — and can offer each participant a different Split Dollar Agreement and different life insurance policy.
- **It's cost-effective:** Your business can recover the premiums loaned, from the cash value or the death benefit, through the collateral assignment of the policy.
- **It's easy to administer:** There's less administration and paperwork with a Split Dollar Plan than with many other executive benefit programs.
- **It's an "asset":** Your business's portion of the cash value may be shown as an asset on your corporate books.
- **It's tax-efficient:** There are no adverse tax consequences<sup>1</sup> from the buildup of cash value<sup>2</sup> inside the policy, even if the cash value exceeds the cumulative premiums paid.
- **It can particularly benefit C-Corporations:** The current maximum corporate income tax rate is 21%, while the current maximum personal income tax rate is 37%. As an owner-employee, you could use Loan Regime Split Dollar to pay for an insurance premium using dollars from the corporation, which is taxed at a lower rate than an individual.

## Advantages for your employees

- **It provides protection they need:** Participating employees will receive valuable life insurance protection with little out-of-pocket expense during their working years.

- **It's valuable:** The executive may have the right to a portion of the policy cash value during his or her lifetime. The executive can use the cash value to supplement retirement income or for any other purpose.<sup>3</sup>
- **It's portable:** When retiring or leaving the company, the executive can retain the insurance policy, after paying off the loan, and then pay future premiums from his or her own resources.

## Why a Split Dollar Plan may be right for your business

A Split Dollar Plan can help to ensure the profitability of your business for the long term, since it can help you provide your top performers (including yourself) with a valuable benefit whose value they will appreciate. This type of plan could be the executive benefit solution you've been looking for if you:

- Are looking for a way to retain or reward selected executives or employees — to help ensure they'll stay with your business for the long term
- Have key employees who need permanent life insurance to protect their family
- Are willing to provide an executive benefit to help your top performers obtain this valuable protection, and you would like your business to have the option to retain control over the life insurance
- View cost recovery for providing this benefit to be an important consideration
- Are interested in exploring whether your business's cash flow can be leveraged to assist in the payment of premiums for your own life insurance needs

**Learn which Split Dollar Plan could be right for your business.**

**Contact your Guardian Financial Professional to discover which type of Split Dollar Plan can help you meet your executive benefit needs — and help you retain your top performers for the long term.**

The Guardian Life Insurance Company of America

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<sup>1</sup> Guardian, its subsidiaries, agents, and employees do not provide tax, legal, or accounting advice. Consult your tax, legal, or accounting professional regarding your individual situation.

<sup>2</sup> Some whole life policies do not have cash values in the first two years of the policy and don't pay a dividend until the policy's third year. Talk to your financial representative and refer to your individual whole life policy illustration for more information.

<sup>3</sup> Supplemental income from a whole life policy comes from loans and withdrawals. Normally, cash values accumulate over the long term. Policy benefits are reduced by any outstanding loan or loan interest and/or withdrawals. Dividends, if any, are affected by policy loans and loan interest. Withdrawals above the cost basis may result in taxable ordinary income. If the policy lapses, or is surrendered, any outstanding loans considered gain in the policy may be subject to ordinary income taxes.

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