



Below is a view of the Workbook Main Window from the InsMark Illustration System used for Blog #181 along with a description of the proposal.

Client Workbook Edit Tools Options Help

Workbook Main Window

Proposals for the workbook: End Split \$-Opt. Transfer

Proposal Description	Sales Concept	Policy Data (if applicable)			
		Policy Notation	Initial Premium	Death Benefit	Name of Product
Endorsement SD w-Transfer	End. Split \$-Optional Transfer	End. Split \$-Optional Tra...	\$100,000	\$2,200,000	Indexed UL

**InsMark System: InsMark Illustration System**

**Module: Endorsement Split Dollar with Optional Transfer**

**Workbook file name: Blog #181 (End. Split \$-Opt. Transfer).lji**

**Important Note:** If you haven't studied Blog #181, you must do so to get the logic of this plan.

**Proposal 1:**

This is a rather straightforward illustration of an employer-owned policy insuring the owner of the business, age 45. We used \$2.2 million of Indexed Universal Life policy with ten premiums. We assigned \$1.5 million of the policy for the personal use of the covered executive for ten years. At the beginning of year 11, we illustrated a transfer of the policy to the executive which created an income tax based on the accumulated value of the policy. We also illustrated a \$269,269 participating loan on the policy at that same point to pay the executive's income tax generated by the transfer. (The loan was calculated to take place following the transfer.)

We selected this transfer tax option on the Transfer Option tab:

Use policy cash flow to help offset executive's income tax on transfer  
 To offset fully the executive's income tax on the transfer, you must schedule a policy withdrawal, dividend surrender, or loan in the year of transfer of at least \$260,269.

We generated further participating loans starting in year 21 (age 65) to provide tax free cash flow to the executive. We scheduled \$70,000 a year of participating loans indexed at 3.00% which ranged from \$70,000 to \$164,960 at age 94. (\$100,000 level loans would also have worked.)

Endorsement split dollar creates small income tax consequences to the executive during the ten years the policy is owned by the employer based on IRS Table 2001. We selected a gross-up bonus from the employer to cover these costs using this prompt located on the Basic Data tab:

Executive's income tax payments

Executive's income tax paid by:

- Executive's own funds
- Single bonus
- Gross-up bonus

Note: Due to optional nature of the transfer, this plan is not suitable for non-owner executives. (Executive Bonus or Loan-Based Split Dollar would be more appropriate.)

**Important Note #1:** Special plan documentation is required to support Endorsement Split Dollar with Optional Transfer. InsMark's Cloud-Based Documents On A Disk™ (DOD) contains comprehensive sets of specimen documents for this plan. If you are licensed for DOD, go to [www.insmark.com](http://www.insmark.com) and select "My InsMark" from the home page for access to the full version of DOD.

If you are not licensed for DOD, [this link](#) will take you to the DOD product site for more information or you can contact Julie Nayeri at [julien@insmark.com](mailto:julien@insmark.com) or 888-InsMark (467-6275). Institutional inquiries should be directed to David Grant, Senior Vice President - Sales, at [dag@insmark.com](mailto:dag@insmark.com) or (925) 543-0513.

**Important Note #2:** The hypothetical life insurance illustrations referred to in this report assume the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. Actual illustrations are not valid unless accompanied by a basic illustration from the issuing life insurance company.

**Important Note #3:** The information in this report is for educational purposes only. In all cases, the approval of a client's legal and tax advisers must be secured regarding the implementation or modification of any planning technique as well as the applicability and consequences of new cases, rulings, or legislation upon existing or impending plans.

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