Coordinating Corporate Dollars

A review of various ways you can use your corporate dollars to attract, retain and reward key personnel, to help meet your goals of business continuity and tax efficiency.

Group Insurance

You can design a plan with a variety of coverage's suited to your budget.

- Life
- Accidental Death Benefit
- Disability Benefits
- Hospitalization
- Major Medical
- Dental Care
- Prescription Drug
- Vision Care

Advantages & Considerations

Helps provide financial security for employees and their families
Up to $50,000 of group term life insurance with no current cost to employees
A deductible corporate expense so long as costs are deemed an ordinary and necessary trade or business expense

Disability Income Insurance

If an employee becomes disabled and unable to work, the employee would receive a monetary benefit that could be used to help them pay their bills and maintain their standard of living

Advantages & Considerations

- Employer-paid premiums are a deductible business expense so long as costs are deemed an ordinary and necessary trade or business expense
- Amounts received as disability pay under an insurance policy that is part of the employer's accident or health plan for employees are includible in the gross income of the employee to the extent such amounts were attributable to contributions by the employer that were not includable in the gross income of the employee

Split Dollar

Your corporation or an employee buys life insurance on the employee’s life. The premiums, as well as any equity and death benefits are shared in an agreed upon fashion.

Advantages & Considerations

• Cash value portion of all business-paid premiums may be a corporate asset.
• Tax-free recovery of business share of total premiums if the employee dies.
• Selected employees receive this extra benefit without need for government approval
•Split dollar is taxed under loan or economic benefit regime rules generally depending on whether a collateral assignment or endorsement arrangement it utilized.
• In case of death, employee’s designated beneficiary receives their portion of life insurance benefit income tax free.
• All or part of the policy’s equity might be used later to provide an additional retirement income
• IRC § 409A sets forth specific rules regarding deferred compensation arrangements including certain split dollar arrangements. It is important to confer with your independent tax and legal advisors to ensure applicable deferred compensation arrangements fully comply with 409A. Arrangements that are not in compliance are subject to significant income tax consequences, penalties and interest.
• Insurance premiums are not deductible by the corporation.

3 To ensure that the death proceeds of an employer-owned policy are income tax-free, it is essential to comply with the requirements of Internal Revenue Code Section 101(j). 3 Loans and withdrawals will decrease the cash value and death benefit. Tax-free distributions assume that the life insurance policy is properly structured, is not a modified endowment contract (MEC), and distributions are made up to the cost basis and policy loans thereafter. If the policy has not performed as expected and to avoid a policy lapse, distributions may need to be reduced, stopped and/or premium payments may need to be resumed. Should the policy lapse or be surrendered prior to the death of the insured, there may be tax consequences.

Non-Qualified Deferred Compensation

A contractual agreement between the employer and key employees in which the employer promises to pay the employees a future benefit.

Advantages & Considerations

- Can provide an added incentive for employees to remain with employer
- Employees may be individually selected
- Government approval is not required
- Additional source of retirement income
- A current salary increase might be subject to higher income taxes for the employee and compensation received during retirement may be taxed at a lower rate.
- Only for use with a select group of management or highly compensated employees
- Deferral of employer’s tax deduction
- Care should be taken to ensure that when applicable, the arrangement is compliant with ERISA and IRC § 409A.

Qualified Retirement Plan

Your corporation establishes a qualified plan to provide retirement income for your employees

Advantages & Considerations

- Deductible corporate expense
- Tax deferred growth of plan assets
- Array of qualified plan types to choose from
- Subject to ERISA and IRC rules and requirements

Key Person Life Insurance

If a key employee dies or becomes disabled, your corporation can be protected from potential loss of profit.

Advantages & Considerations

- Corporation is named beneficiary of life or disability insurance coverage on key person
- Benefits to offset possible losses are received tax free by the corporation provided certain notice, consent and other requirements are satisfied.
- Premiums are nondeductible to employer

The income tax-free status of life insurance death benefit proceeds is very valuable. To ensure that the death proceeds of an employer-owned policy can retain this benefit, it

Business Overhead Expense Insurance

Overhead expenses, such as rent, utilities, and interest must always be paid. But if a key person becomes disabled, these bills may be difficult to pay. Business Overhead Expense Insurance can help cover some of these costs.

Advantages & Considerations

- An additional monthly income can pay overhead expenses while the key person is disabled
- Premiums are a deductible corporate expense so long as costs are deemed an ordinary and necessary trade or business expense
- Disability benefits are taxable when received by the corporation, but are offset by tax-deductible overhead expenses when paid

Funding a Buy-Sell Agreement

If a shareholder becomes disabled, retires or dies, a buy-sell agreement may require that their stock be acquired by the corporation. Life insurance can help fund this expense.

Advantages & Considerations

- Remaining stockholders are protected from "outside" beneficiaries who may not be familiar with the corporation
- Stockholder or their estate can receive immediate cash payment
- A reasonable sale price can be set in an agreement that will establish the stock's value
- Premium payments are non-deductible by the corporation

Which Plans are right for your company?

Call for consultation

Whether your company is large or small, the allocation of your corporate dollars should be made to your best advantage.

Invest the time now to plan for your company's future.

If you would like to know more about these plans or arrangements or if you have a question about your company's present programs, let us know.

Give us a call:

The Ross Company
(914) 631-1133 or (800) 88-GOALS (46257)