Employer match executive compensation strategy
Individual Life Insurance

Insurance products issued by:
Minnesota Life Insurance Company
Securian Life Insurance Company

BUSINESS PROFILE

Help businesses attract and retain key talent

Employer match

Your sales opportunity

Business owners wishing to:

- Reward and retain key employees for their contribution to the company's success
- Supplement a 401(k) program, to which executives may be limited in their contributions
- Recruit key talent and foster loyalty with key employees while ensuring business continuity

Potential solution: employer match

Employer match is an executive compensation strategy in which a key employee defers a portion of his or her current taxable income, in exchange for future retirement benefits.[1] The employer promises to match contributions up to a certain amount, and may attach a vesting schedule to that portion of the promised benefit, allowing the company to recover its contributions, if necessary. To fund the strategy, the business may arrange life insurance coverage on the key employee.

Four valuable features

1. In the event of the key employee's death, the business receives a tax-free death benefit
2. May reduce key employee's current taxable income
3. Key employee receives retirement income
4. Policy's cash value may also provide payments to key employee in the event of disability

Target client

Businesses with the following characteristics:

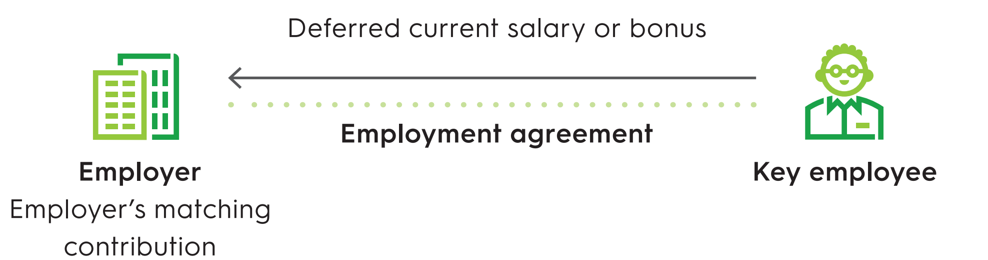
- Over 50 employees
- Strong financials and stable business history
- Business longevity perceived to be excellent
- Highly compensated employees facing limits on their 401(k) contributions

Candidates	Not considered candidates
Sales professionals	Business owners
Managers	Rank-and-file employees
Executives	
Other highly compensated employees	

How it works

1. Company and key employee implement an agreement, drafted by a licensed attorney, specifying among other provisions:

- The time at which the key employee can elect to defer compensation
- The circumstances under which deferred compensation can be paid to the key executive (e.g., separation of service, death, disability, financial emergency, change of control of employer or a specified date)
- The executive's deferred salary
- The employer's contribution
- A vesting schedule, if desired
- Notice and consent requirements[2]
- Designated beneficiaries



2. Company determines how the plan will be funded:

- The plan must be unfunded in order to obtain the preferable tax and ERISA treatment.
- The company should consider an informal funding method to meet its obligations under the plan.
- As an informal funding vehicle, cash value life insurance offers tax-deferred growth potential and tax-advantaged access to policy values:
  - Company is owner and beneficiary of the policy. The employee is typically the insured but has no rights or ownership in the life insurance policy.
  - Company may choose to provide nonqualified deferred compensation (NQDC) retirement benefits on a tax-advantaged basis through policy loans and withdrawals.[3]

If the company chooses to pay retirement benefits using existing funds and hold the policy until the insured dies, internal gains are not taxed.

1. Key employees must be either highly compensated employees or management.

2. Section 101(j) of the Internal Revenue Code requires that an employer must provide notice and seek consent before placing life insurance on the life of an employee.

3. The Policy Design chosen may impact the tax status of the policy. If too much premium is paid, the policy could become a modified endowment contract (MEC). Distributions from a MEC may be taxable and if the taxpayer is under the age of 59½ may also be subject to an additional 10% penalty tax.

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We're guided by our purpose: helping customers build secure tomorrows. Since 1880, we've been building a uniquely diversified company that has outlasted economic ups and downs while staying true to our customers. We're committed to the markets we serve, providing insurance, investment and retirement solutions that give families the confidence to focus on what's truly valuable: banking memories with those who matter most.

Learn more

Do you have business owner clients who could benefit from an employer match executive compensation strategy to attract and retain key employees? We can help - call our Advanced Sales Team today: **1-888-413-7860,** option 3.

Life insurance products contain fees, such as mortality and expense charges (which may increase over time), and may contain restrictions, such as surrender periods.

Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

Policy loans and withdrawals may create an adverse tax result in the event of lapse or policy surrender, and will reduce both the surrender value and death benefit. Withdrawals may be subject to taxation within the first 15 years of the contract. Clients should consult their tax advisor when considering taking a policy loan or withdrawal.

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400 Robert Street North, St. Paul, MN 55101-2098

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