



**Nationwide®**  
is on your side

Business planning

Split dollar plans using  
life insurance



What's the prescription  
for a successful workforce?



# Add **life** to your business

*You finally have the staff you've always wanted for your company — now how do you keep them there?*

A split dollar plan using life insurance from Nationwide® may be just what you need to add a little staying power to your company.

Be sure to choose a strategy and product that are suitable for the long-term goals of both the business and its employees. Weigh objectives, time horizon and risk tolerance, as well as any associated costs, before investing. Market volatility can lead to the need for additional premium in the policy. Variable life insurance has fees and charges that include costs of insurance, underlying fund expenses and administrative fees. Investing involves risk, including possible loss of principal.

• Not a deposit • Not FDIC or NCUSIF insured • Not guaranteed by the institution • Not insured by any federal government agency • May lose value

# Keep life in your business with split dollar plans

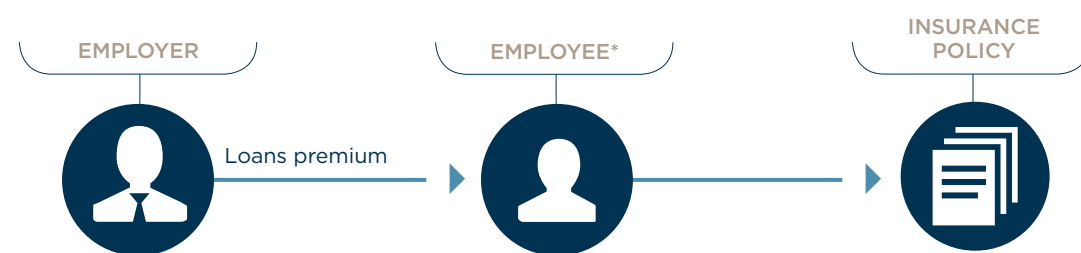
There are two types of split dollar arrangements created using life insurance — collateral assignment/loan regime and endorsement split dollar/economic benefit regime. Each has unique features that meet various objectives set by an employer.

## How it works

Collateral assignment/loan regime — under this type of arrangement, an employer will loan a key employee an amount of money to be used to pay the premium on a life insurance policy. The employee will pledge the policy as collateral for the loan. The employee gets the privilege of owning the policy and naming a beneficiary.

## Collateral assignment split dollar

### During working years



\*The employee is taxed on the imputed interest income of the loan.

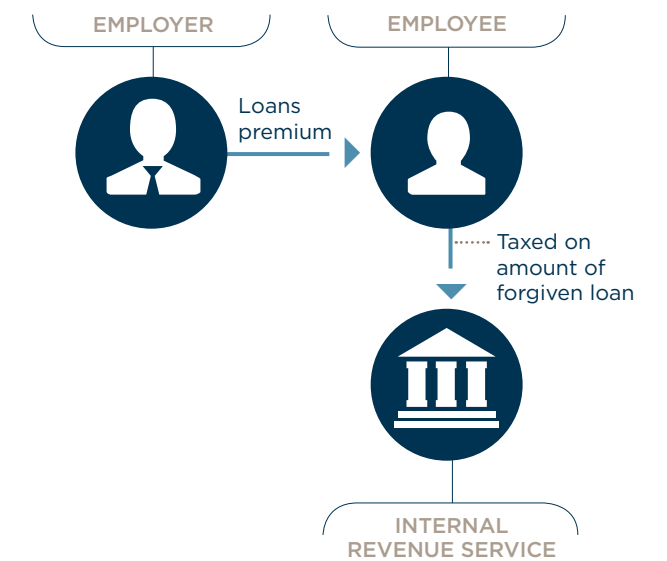
### Upon separation from service/end of agreement

#### 1. Loan is paid back by employee

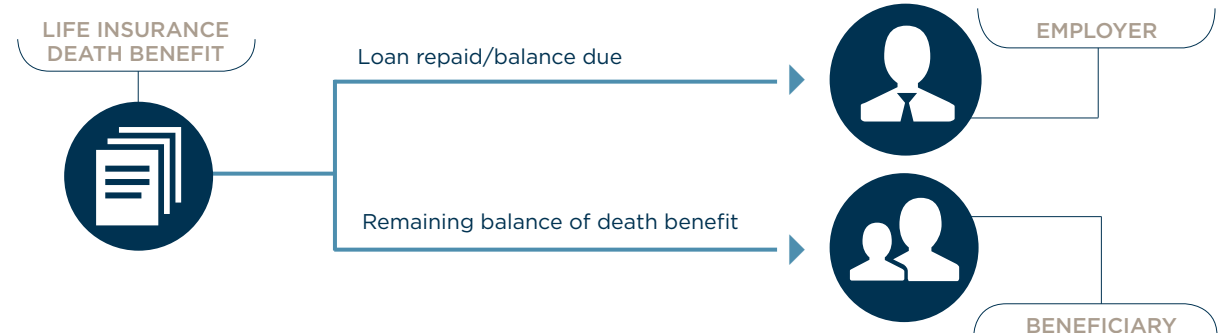


\*The agreement is terminated, and the employee owns the life insurance policy free and clear of the pledge.

#### 2. Loan amount is forgiven



### Upon premature death

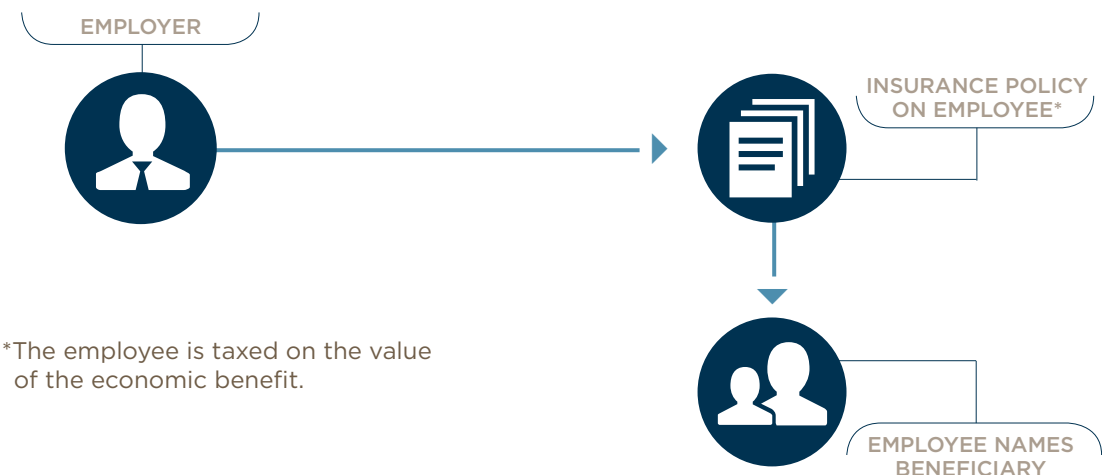


## How it works

Endorsement split dollar/economic benefit regime — here, an employer will purchase and own a life insurance policy on a key employee, and the employee will have the opportunity to name a beneficiary.

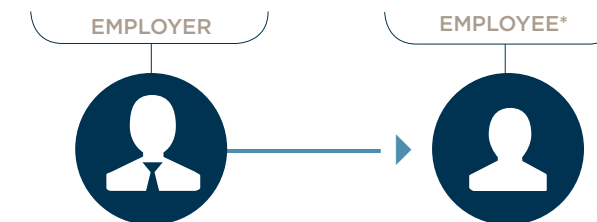
## Endorsement split dollar

### During working years



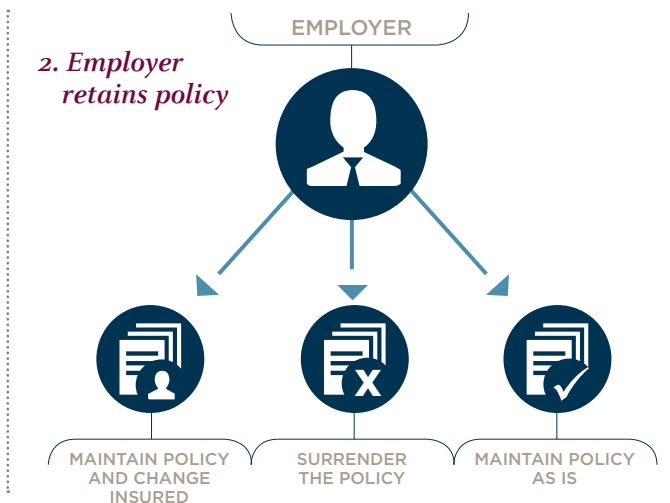
### Upon separation from service/end of agreement

#### 1. Employee obtains policy

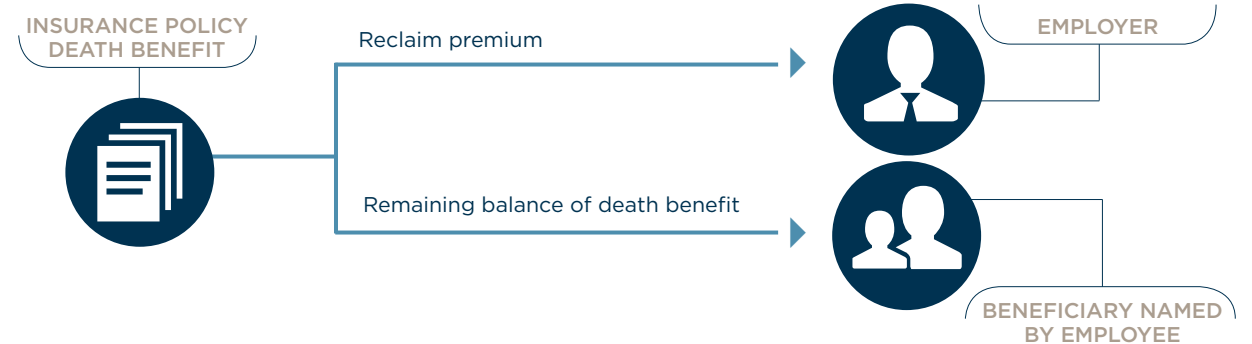


\*The employee may obtain the policy through a bonus of the policy.

#### 2. Employer retains policy



### Upon premature death





## For employers

### Benefits of the plan:

- Both a recruiting and retention tool for valued employees
- Less administration and fewer funding requirements than qualified plans
- Ability to select who receives benefits, when they receive them and how much they receive, unlike qualified plans
- Lack of limits or rules associated with traditional qualified plans
- Low start-up and administrative expenses
- Ability to recoup your business's investment when a valued employee quits, retires or dies
- Flexibility in plan design to meet specific needs
- Capability to terminate the plan at any time

### Drawbacks of the plan:

- Heavily regulated
- Requires a formal written contract to put the plan in place
- No guarantee the employee will remain with the company



## For employees

### Benefits of the plan:

- Your business makes premium payments for personal life insurance protection
- Flexibility in plan design to meet individual needs
- Income tax costs to employees can be covered by a bonus from your business
- Ability to receive tax-free income via partial withdrawals and loans
- Opportunity for tax-deferred growth of cash values within the life insurance policy
- Income tax-free death benefit for beneficiary(ies)
- With proper planning, there may be an ability to exclude the value of the life insurance policy from the employee's estate

### Drawbacks of the plan:

- If employment ends for any reason, the policy may be at risk of lapsing if the employee cannot make the premium payments





## Meet Jack

All of the characters are fictitious, meant to represent typical individuals in typical business situations. The following information is designed to demonstrate one possible solution to a complex problem. You should work carefully with your investment professional to determine the solution that best meets your specific needs and objectives.

### *His story*

Founded by Dr. Jack Burnside shortly after completing his residency 20 years ago, Burnside Medical Group (BMG) now employs 11 general practitioners as well as nurses, physical therapists, medical assistants, lab technicians and office staff. Though it started with just Dr. Burnside and Judy, his wife and nurse, the practice is now one of the best regarded in the city for top-notch medical care and the staff's genuine compassion. However, finding the right mix of medical expertise and caring concern in the physicians he recruits has typically not been very easy, and turnover is a problem. Dr. Burnside would like to add a special benefit or two for the physicians to encourage them to stay at BMG.

### *His strategy*

Jack and Judy decide to meet with their investment professional, Catherine, to discuss their options. Jack explains his desire to retain physicians by offering an exclusive benefit. Catherine mentions that one possible strategy often used to boost retention among key employees with a life insurance need is a split dollar plan. With this type of plan, BMG would purchase life insurance policies one, several or all of its physicians. These policies would help protect the physicians' loved ones in the event of an untimely death, as well as provide a tax-advantaged way to save more for retirement.

The practice must be prepared to make premium payments on the life insurance policies used to fund the plan. The practice would have complete discretion in selecting employees as well as contributions and benefits. The plan can also be structured so that the employees make part of the premium payment and so that the practice's investment can be reimbursed if the employee quits, retires or dies. After the employee retires and, if necessary, reimburses the firm, he or she enjoys all the policy benefits. Because life insurance policies are involved, Catherine reminds Jack and Judy that the employees will have to qualify for the coverage.

Positive this is a good approach, Dr. Burnside presents the idea to the physicians at their weekly update meeting. They all agree to meet with Catherine to complete a life insurance application and schedule necessary medical requirements. Dr. Burnside feels confident that he's done what he can to retain BMG's physicians for years to come.



## A couple of things you should keep in mind:

- This strategy does not guarantee returns or insulate the policyowner from losses, including loss of principal
- The death benefit and all guarantees are subject to the claims-paying ability of the issuing insurance company
- Nationwide and its representatives do not give legal or tax advice; you should consult your legal or tax advisor for answers to specific tax questions
- Loans and partial withdrawals will reduce the death benefits payable to beneficiaries, and withdrawals above the available free amount will incur surrender charges
- Surrender charges vary by issue age, sex, underwriting rate class and product; these charges decline over time, so please see the prospectus for details

Call your investment professional today for more information on executive bonus plans, as well as any of these other business planning options:

- Buy/sell agreements
- Insurance-based retirement plans
- Key person insurance
- Nonqualified deferred compensation plans





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is on your side

Throughout this brochure, we discuss access to money via loans and partial withdrawals. This assumes the contract qualifies as life insurance under Section 7702 of the Internal Revenue Code (IRC) and is not a modified endowment contract (MEC) under Section 7702A. As long as the contract meets non-MEC definitions under Section 7702A, most distributions are taxed on a first-in/first-out basis. Loans and partial withdrawals from a MEC will generally be taxable, and if taken prior to age 59½, may be subject to a 10% early withdrawal federal tax penalty.

All individuals selling this product must be licensed insurance agents and registered representatives.

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