

## Highlights

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- Why credit unions use split dollar plans
- What is split dollar
- How a split dollar plan is designed
- Q&A



## Executive Benefits: Why?

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### Recruit

- Better candidates
- Faster process

### Retain

- Continuity
- Material impact

### Reward

- Share in organization's success
- Longevity

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## Plans with Retention Power

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Nonqualified Deferred Compensation:  
457(f) and 457(b)

Section 83 Bonus: Restrictive Bonus Plan

Welfare Benefit: Split Dollar

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## Types of Split Dollar Plans

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Three types depending upon policy ownership

1. Employer-owned = Endorsement
2. Employee-owned = Collateral
3. Jointly-owned = Joint ownership arrangement

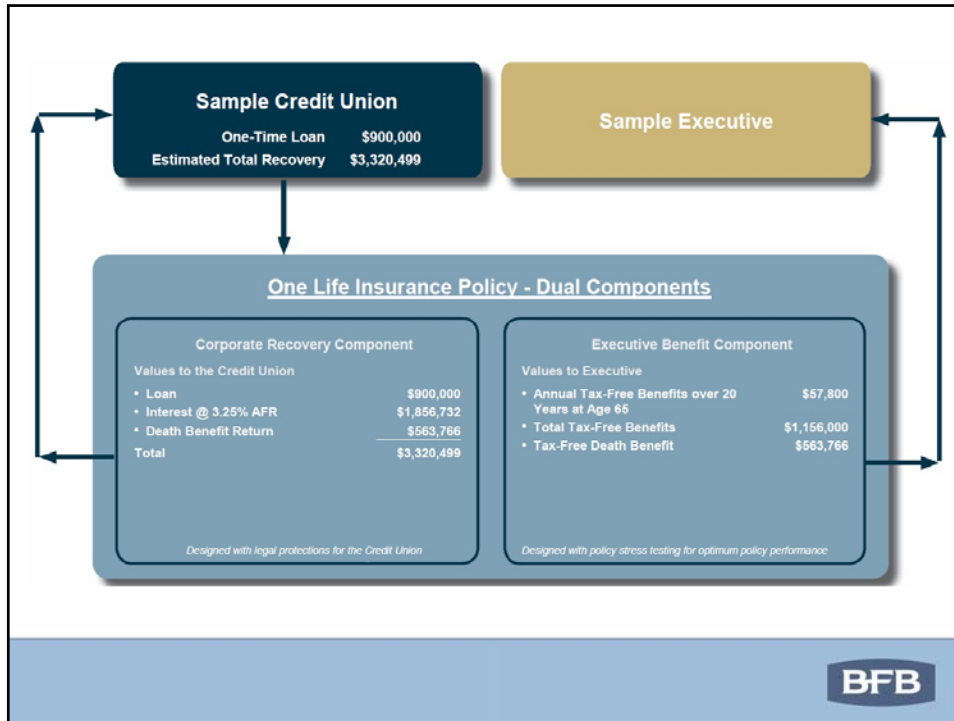
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## Plan Details

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- Executive owns policy; IRS treats premium as loan
- Non-recourse loan but recovery secured by collateral assignment of cash values and death proceeds
- Interest rate locked in at long-term AFR
- Plan conforms to Treasury Regs and NCUA Guidance

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## Loan Regime Split Dollar

Features	Pros	Cons
<ul style="list-style-type: none"> <li>• Tax-free income to participant</li> <li>• Vesting date for retention</li> <li>★ Cost mitigation to institution</li> <li>★ Preferential 990 reporting</li> </ul>	<ul style="list-style-type: none"> <li>• No promised benefit</li> <li>• Built-in cost recovery</li> <li>• Flexibility regarding vesting</li> <li>• Benefit caps</li> </ul>	<ul style="list-style-type: none"> <li>• Long term commitment – 30 year Mortgage</li> <li>• Interest rate is fixed</li> </ul>

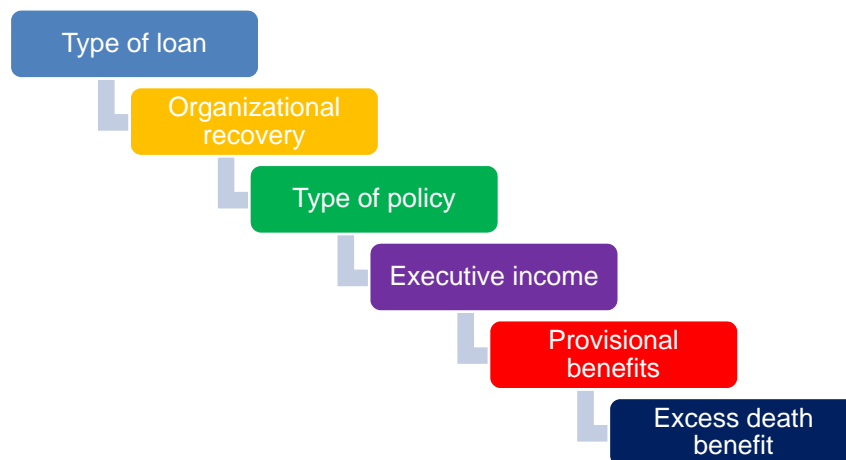
## Regulatory Considerations

### Safety and Soundness

- Portion of assets in policy – concentration
- Financial strength of carrier
- Recovery of assets
- Financial penalties for withdrawals
- Expected rate of return



## Plan Design



## Type of Loan

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Recourse

Non  
Recourse

Demand

Non  
Demand

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## Organizational Recovery

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Loan  
Principal

Loan  
Interest

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## Type of Policy

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Indexed  
Universal Life

Whole Life

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## Executive Income

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No Cap

Cap on Annual  
Income

Cap on Total  
Income

During Stated  
Years Only

Any Years After  
Access Date

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## Provisional Benefits

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Forfeit

Alternative  
Vesting

Alternative  
Access Date

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## Excess Death Benefit

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Split

All to  
Organization

All to Executive  
Beneficiary

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## Vendor Considerations

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### Examples:

- Servicing in-house or TPA (100%?)
- Online account access
- Carrier access
- Number of plans, participants, years of experience

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## Thank you!

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Executive Benefits: State of the (Credit) Union**



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