PLANNING WITH EMPLOYER FUNDED LIFE INSURANCE

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I. INTRODUCTION

This paper generally discusses selected and popular uses of life insurance on the lives of employees and owners of entities and the associated tax consequences to the entity and insured. It also specifically analyzes the more commonly used life insurance plans. Companies use life insurance to recruit, reward and retain key employees. There are economic and tax implications of every insurance plan that attorneys must identify and analyze to properly assist in implementing insurance plans for clients. Common scenarios include:

Companies using life insurance for retirement planning for executives or key employees;

Companies using life insurance as golden handcuffs for executives and key employees;

Companies using life insurance to provide deferred compensation for executives and key employees;

Tax Exempt organizations using life insurance as a major component of compensation for executives and key employees; and

Closely held businesses paying premiums on the lives of the owners for the primary benefit of the owners.

The paper illustrates three common insurance plans that are implemented to accomplish these objectives. Generally, these plans are (i) executive bonus plans, (ii) split-dollar agreements, and (iii) non-qualified deferred compensation arrangements. Which plan is appropriate is dependent, among other things, on the objectives of the employer and executive and the desired economics of the plan, including federal income tax consequences.

II. BASICS OF TAXATION OF LIFE INSURANCE POLICIES AND PROCEEDS

Due to its unique characteristics, life insurance has played an important and pivotal role in both estate planning and business needs planning. Life insurance provides liquidity (i.e., cash) at the exact time (i.e., death) it is most needed. The different types of insurance policies provide great flexibility in designing a solution that accomplishes a client's objectives. But the aspect that makes life insurance most attractive in the estate planning context is its ability to provide income tax free benefits and, if properly designed and structured, provide proceeds free of estate taxation as well.

In the business context, companies use life insurance for a variety of reasons, including liquidity planning for the owner of the business, providing funding for purchase obligations under shareholder agreements or buy-sell agreements, providing liquidity to the company for working capital including the replacement of the talents of key persons, and use as collateral for working capital loans for the business.

As indicated above, however, the focus of this paper is on a company using life insurance primarily as a compensation benefit for a key employee or executive.

A. Income Taxation of Life Insurance Policies

Internal Revenue Code ("IRC") § 101 provides that proceeds of life insurance policies are received by the beneficiary income tax free. In addition, there is no current income taxation on the internal buildup of the policy over time.

There is one major exception to the receipt of life insurance proceeds being income tax free on death. The so-called transfer-for-value rule in IRC § 101(a)(2) provides that in the case of a transfer for valuable consideration, by assignment or otherwise, not exceeding the premium payments (or other consideration) such amounts will be excluded from gross income. Life insurance proceeds in excess of the premiums (or other consideration) will be included in gross income of the recipient.

The transfer-for-value rule is avoided if (i) the transferee's basis in the policy following the assignment is determined in whole or in part by reference to the basis in the contract in the hands of the transferor, (ii) the transfer is to the insured, (iii) the transfer is to a partner of the insured, (iv) the transfer is to a partnership in which the insured is a partner, or (v) the transfer is to a corporation in which the insured is a shareholder or officer.

IRC § 101(j) was added by the Pension Protection Act of 2006 and addresses employer-owned life insurance ("EOLI"), also known as company-owned life insurance ("COLI"), contracts.

B. Estate Taxation of Life Insurance Proceeds

IRC § 2042 governs the inclusion or

exclusion of life insurance proceeds from the estate of the insured. The value of the gross estate includes proceeds receivable by the executor and proceeds of policies over which the decedent possessed any incidents of ownership.

1. Proceeds Receivable By Executor

Amounts from life insurance policies payable to the executor or received by the executor are includable in the gross estate of the insured. Of course, if the estate is otherwise planned so that the estate passes to a surviving spouse in a manner that qualifies for the marital deduction, the insurance proceeds would not be subject to estate taxation as a result of the marital deduction, but if not consumed by the surviving spouse, would be includable in the estate of the surviving spouse. Insurance proceeds payable to the estate are also available to fund a Bypass Trust and would avoid estate taxation by using the decedent insured's exemption amount.

2. Proceeds Receivable By Other Beneficiaries

The value of the gross estate will also include the amounts receivable by all other beneficiaries (other than the executor) under policies on the life of the decedent with respect to which the decedent possessed at his death any incidents of ownership exercisable either alone or in conjunction with any other person.

The concept of incidents of ownership encompasses more than outright ownership of the policy. Powers that indicate the insured controls or has access to the economic benefits of the policy have been found to be incidents of ownership causing estate tax inclusion. For example, the power to borrow against the policy, to pledge the policy, to change beneficiaries of the policy, to assign the policy, and to cancel the policy have all been found to be incidents of ownership.

III. SUMMARY OF INCOME TAX RULES AFFECTING TAXATION OF EMPLOYER PROVIDED INSURANCE

There are four primary areas of taxation to be aware of in determining the taxation of employer provided insurance. These are (i) the split–dollar regulations, (ii) the IRC § 409A Regulations, (iii) the EOLI/COLI Regulations and the (iv) basic income tax rules of IRC § 61 and IRC § 83.

A. Split-Dollar Regulations

Treasury issued final Regulations with comprehensive rules for split dollar arrangements created after September 17, 2003 and older split dollar arrangements that are "materially modified" after September 17, 2003. There are also certain grandfather rules applicable to agreements entered into before Notice 2001-10 (January 28, 2001) and agreements entered into after the Notice, but before the date of the final Regulations September 17, 2003 that are not "materially modified" after the applicable date.

These so-called "Split-Dollar Regulations" (Treas. Reg. §§ 1.61-22 and 1.7872-15) provide for two mutually exclusive regimes for taxing split-dollar arrangements based solely on which party owns the policy. The two regimes are the economic benefit regime and the loan regime.

1. Determination of Policy Owner

Since the appropriate regime depends entirely upon the determination of the "owner" of the policy, the Regulations provide the following rules and guidance as to the determination of the owner of the policy.

a. In general, the person named as the owner in the contract is treated as the "owner" of the policy for purposes of determining which regime applies.

b. If there are co-owners of the policy, and each owner holds all the rights in its undivided interest in the policy, then each owner is treated as owning a separate policy. If each owner does not hold all the rights in its undivided interest in the policy, then the first named co-owner of the policy is treated as the owner for purposes of determining which regime applies.

c. If the split-dollar arrangement is a non-equity arrangement involving either an employer-employee split-dollar or a donor-donee split-dollar, then the employer or the donor is treated as the owner of the policy for purposes of determining which regime applies (i.e., the endorsement or economic benefit regime applies).

d. If a non-owner makes a payment directly or indirectly to the owner that a "reasonable person" would expect to be repaid and which is to be made from or secured by the policy, then the collateral assignment or loan regime applies.

e. If the arrangement is employment related and the employee is not the owner or treated as the owner, then the endorsement or economic benefit regime applies.

f. If the arrangement is that of a donor-donee and the donee is not the owner or treated as the owner, then the endorsement or economic benefit regime applies.

2. Economic Benefit Regime – Endorsement Arrangements

If the split-dollar agreement is an endorsement arrangement whereby the employer is the owner of the policy, then the economic benefit regime applies.

a. Annual Economic Benefit

There will be an annual economic benefit to the employee for the value of the pure life insurance component. The value of this economic benefit to the employee will be taxed to the employee under IRC § 61.

b. Determining the Economic Benefit

If the split-dollar is a non-equity arrangement, the calculation of the economic benefit will be the employee's portion of the death benefit multiplied by a term factor from Table 2001 to arrive at the value of the economic benefit. In comparison, if the split-dollar is an equity arrangement, then any right in the policy, including an interest in the cash surrender value, is an economic benefit and will be taxed to the employee.

c. Equity Taxed at Rollout

The cash value of the policy is not taxed to the employee until there is a transfer of a portion of the cash surrender value of the life insurance policy from the employer to the employee as well.

(1) The annual equity cash value buildup in the policy will not be taxed to the employee until there is a transfer of this cash value buildup.

(2) Once there is a transfer of the cash value buildup in the policy, any cash value transferred to the employee will be taxed to the employee under IRC § 83.

3. Determination of Economic Benefit

a. P.S. 58 Rates Revoked

The P.S. 58 rate table revoked by Notice 2001-10 continues to remain revoked. However, for split-dollar arrangements entered into prior to January 28, 2002, an employer and an employee can continue to use the P.S. 58 rates (provided for in their agreement) to determine the value of current life insurance provided to the employee.

b. Table 2001

For arrangements entered into before the effective date of the final Regulations, the employee may use the Table 2001 rates originally published in Notice 2001-10.

(i) Like the P.S. 58 rates, Table 2001 may be used to value current life insurance protection on a single life.

(ii) It should be pointed out that the Notice indicates that taxpayers "should make appropriate adjustments to these premium rates if the life insurance protection covers more than one life." Many practitioners believe that the Greenberg to Greenberg formula may be used to determine the second-to-die term rates using Table 2001 single life combinations, and that such a formula may produce term rates lower than the second-to-die term rates of the insurance carrier. This formula addressed the conversion of the old PS 58 rates into the PS 38 rates commonly used for second-to-die policies prior to Notice 2001-10.

c. Alternative Term Insurance Rates of Insurance Carrier

Once again, January 28, 2002, will be an important date in determining whether the employee can use the insurance carrier's lower published premium rates or the insurance carrier's alternative tax rate.

(1) For arrangements entered into prior to January 28, 2002, but before the date of the final Regulations, the employee may continue to use the insurance carrier's lower published premium rates that are available to all standard risks for initial issue one-year term insurance to determine the value of current life insurance protection.

(2) For arrangements entered into after January 28, 2002, but before the date of the final Regulations, the employee may continue to use the insurance carrier's alternative term rate for tax years 2002 and 2003.

(3) However, for periods after December 31, 2003, the IRS will not consider the insurance carrier's published premium rates to be available to all standard risks who apply for term insurance unless (i) the insurance carrier generally makes the availability of such rates known to persons who apply for term insurance coverage from the insurance carrier, and (ii) the insurer regularly sells term insurance at such rates to individuals who apply for term insurance through the insurance carrier's normal distribution channels.

4. Loan Regime – Collateral Assignment Arrangements

If the split-dollar agreement is a collateral assignment arrangement owned by the employee, then the loan regime would apply.

a. Premiums Paid by Employer Treated as Loans

If the employee is the owner of the policy and the employee is obligated to repay the premiums paid by the employer, then the premiums paid by the employer are treated as a series of loans by the employer to the employee. The split-dollar agreement should specify that the applicable AFR is payable to avoid the complexity of the below market interest loan rules.

b. Loans Subject to Original Issue Discount and Below Market Interest Rules

The loans are subject to the original issue discount rules of IRC §§ 1271-1275 and the below market interest loan rules of IRC § 7872.

c. Employee Not Obligated to Repay Premiums

If the employee is not obligated to repay the premiums paid by the employer, then the premium payments are not loans, but rather income taxable to the employee pursuant to IRC § 61.

B. IRC § 409A

On 4/10/07, Treasury released the final IRC § 409A regulations governing nonqualified deferred compensation arrangements.

1. Overview of IRC § 409A

IRC § 409A(a)(1)(A)(i) provides, in pertinent part, that if at any time during a taxable year a nonqualified deferred compensation plan fails to meet certain requirements set forth under IRC § 409A(a), or is not operated in accordance with such requirements, all compensation deferred under the plan for the taxable year *and all preceding taxable years* shall be includible in gross income for the taxable year to the extent not subject to a substantial risk of forfeiture and not previously included in gross income. IRC § 409A further provides that amounts includible in income under IRC § 409A are subject to two additional taxes, a 20% additional tax and an additional tax calculated as the underpayment interest determined at a premium interest rate (currently 3.00%, plus 1 percentage point) that would have been due had the amounts deferred been includible in income on the later of: (a) when first deferred or (b) when first no longer subject to a substantial risk of forfeiture.

2. Applicability to Split-Dollar

The IRS published Notice 2007-34 to address split-dollar life insurance arrangements and IRC § 409A. The notice provides that many split-dollar arrangements will be subject to the requirements of IRC § 409A. A split-dollar arrangement governed by Treas. Reg. § 1.61-22 is treated as providing deferred compensation, and is thus, within the scope of IRC § 409A if the employee has a legally binding right to economic benefits, including current access to a policy's cash surrender value, but not the cost of current insurance protection. However, the cost of current insurance protection under such an arrangement payable in a later tax year, is not considered to be available.

Notice 2007-34 also makes clear that IRC § 409A is not applicable to split-dollar arrangements that (a) provide only death benefits or short-term deferrals and (b) give rise to split-dollar loans under Treas. Reg. § 1.7872-15. However, in certain situations, such an arrangement may give rise to deferrals of compensation for purposes of IRC § 409A for example, if amounts on a split-dollar loan are waived, cancelled, or forgiven.

C. IRC § 83 Property Transferred in Connection With Services

IRC § 83 provides that if, in connection with the performance of services, property is transferred to any person other than the person for whom the services are performed, then the excess of (i) the fair market value of the transferred property at the time the rights of the person having the beneficial interest in the property are transferrable or are not subject to a substantial risk of forfeiture, over (ii) the amount paid for such property shall be included in income of the person who performed the services at the date the interest in the property are transferrable or are not subject to a substantial risk of forfeiture. There is a corresponding provision in IRC § 83 that provides the deduction for the employer will be in the same year and for the same amount as when included in income of the employee.

D. Applicability of ERISA

As a general rule, employers providing compensation benefits to executives will desire to avoid the application of ERISA. All employee benefit plans fall under Title 1 of ERISA and are divided into two categories (i) welfare benefit plans and (ii) pension plans. For ERISA to apply a formal plan must be in place. As indicated, only select employees are typically covered therefore qualifying as a "top hat" exception.

E. Tax Implications and Economics of the Policy

Essentially everything is negotiable in determining the structure of a plan for a particular employer and executive. For example, the executive would prefer a plan that provides the executive access to cash value of the policy and that the company pay 100% of the premium such as an IRC § 162 executive bonus plan with no vesting schedule. The company, the board of directors and the shareholders or owners, would prefer an arrangement whereby the company is made whole for the purchase of the policy and would negotiate for something similar to a split-dollar plan that ensures that the company will be reimbursed. If the Executive is the owner of the company then the plan will be one that produces the overall desired economics taking into consideration the tax treatment.

The REBA and Split-Dollar plans discussed in this paper are therefore highly negotiable by both the company and the executive. In addition the amount and type of insurance as well as the premium payment level can vary significantly to accomplish a wide range of economic outcomes.

Finally, although the income tax consequences are important, it is the overall economics of the plan as well as the bargaining position of the parties that will typically dictate the form of the plan. Of course there will be situations that produce very bad income tax results to be avoided, but the income tax implications are generally simply another aspect of the negotiated compensation arrangement.

IV. SUMMARY OF REBA PLAN

Companies use restrictive executive bonus arrangements (REBAs) for a variety of reasons. REBAs are particularly effective and attractive for executives with a need or desire for insurance coverage.

A. Structure

In a REBA, the insured will be the owner of the policy and will have the ability to name the beneficiary. The employer will bonus to the executive an amount equal to the annual premium. The policy, however, will be subject to certain restrictions which limit the executive's ability to make major decisions with respect to the policy for a period of time. These restrictions are referred to as the restrictive endorsement. Generally, the employer will receive an income tax deduction for the bonus as it vests, and the insured includes in income the bonus amounts as they vest.

REBAs are usually applicable when an executive has maximized his qualified plan contribution. If structured correctly, the REBA will not be a qualified plan for ERISA purposes, and therefore, the company may offer the plan to only a specified number of executives or key employees, and even then may offer different terms to different employees.

A REBA is a particularly useful plan due to its flexibility in providing a balance of benefits to the executive and the company as negotiated among the parties.

B. Restrictive Endorsement

When drafting the restrictive endorsement, the restrictions are typically contained in a separate REBA agreement which is executed between the company and the executive. The agreement will state a period of the restrictive endorsement during which the executive, without the consent of the employer, may not exercise certain rights in the policy. These rights consist of: (1) surrender the policy for its cash value, (2) obtain a policy loan, (3) assign the policy as collateral security, (4) change the ownership of the policy by endorsement, assignment or otherwise, or (5) request a settlement of the cash value or policy proceeds under any method of settlement.

The restrictive endorsement will then indicate the appropriate time period during which the restrictive endorsement is effective. Time periods typically include: the employer ceasing to do business, or the termination of employment by the executive.

Notwithstanding the above, as owner of the policy, the executive may continue to have the power to designate or change the beneficiary on the policy as well as, in the event of a variable life policy, change the investment accounts within the policy.

While the executive is restricted during the restrictive endorsement period, the employer has no economic rights to the policy during the restrictive endorsement period and, because the executive owns the policy following the restrictive endorsement, has no economic rights in the policy following the restrictive endorsement period.

See attached REBA Agreement (Appendix A) for example of simple contract.

C. Benefits of Insurance Policy

Insurance is particularly desirable as a funding mechanism if the executive has identified a need for the coverage. This coverage may be income replacement to protect the executive's family in the event of an early death, liquidity for estate taxes, or liquidity for payment of other liabilities. The executive may designate the beneficiaries who will receive the proceeds income tax free. The policy will allow the value of the premiums to grow tax deferred, and the executive may borrow from the policy for supplemental retirement income after, of course, any restrictive endorsements have lapsed.

D. Non-Qualified Plan

An employer may provide different benefits to different executives, and the plan may be administered without a third-party administrator, which is applicable to other nonqualified plans subject to IRC § 409A. Additionally, unlike other nonqualified plans, the executive is better protected in the event the company becomes insolvent because the policy is owned by the executive to the extent it is vested or insolvency is covered in the REBA.

E. Vesting

A REBA is typically accomplished in connection with an employment contract. The employment contract will provide for the bonuses to be paid to the executive in return for the services rendered. Because the premiums paid to the executive are compensation but are remitted to the insurance company, the executive has income but no cash. In this case, if agreed to by the parties, the premium amount may be grossed up for the tax associated with the premium and the gross-up payment. The only restriction with respect to the payment of the premium and the gross up is that all compensation to executives must fit into the reasonable compensation standards under the Code.

The employment contract can also provide for a vesting schedule with respect to the premiums paid by the company. In this regard, the executive may become vested in the policy over a period of years. Until the employee becomes vested, if the employment is terminated, then the unvested portion of the premiums must be repaid by the executive. Once the executive has become fully vested, no portion of the premiums paid is subject to a claim of reimbursement by the company.

F. Example

Company C has several key employees who are critical to its success, and the owner and the Board of Directors of C desire to retain these employees. One of these key employees, K, is 45 years old, married with two children, has fully maximized his contributions to the firm's 401(k) and otherwise has a need for life insurance coverage. K is talented in his field and can find other employment if he desires. C and K have discussed compensation issues, and while C believes K is fairly compensated, the Board of C is willing to provide additional compensation if it can have some assurance that K is committed to C.

a. Plan A

C and K agree that no vesting schedule is necessary and that C will pay a $50,000 annual premium to purchase a $2,000,000 universal life policy on the life of K to be owned by K. K will designate the beneficiary and have immediate and complete access to the value of the policy. For the results on the impact to C and K, see the attached 100% vesting schedule (Appendix B).

In year one, C will pay a $50,000 bonus to K and take a corresponding compensation deduction. C will receive a $17,500 tax benefit as a result of the deduction and therefore be out of pocket a net of $32,500. K will receive a $50,000 compensation bonus, subject to FICA and FUTA, and pay the insurance premium. The $50,000 compensation bonus will result in K paying $17,500 in tax. However, for that $17,500 tax, he will have received $42,540 of cash surrender value in year one of the policy. As there is no vesting schedule or restrictions, the entire cash value is available to K, and if K terminates employment, no part of the premium is returnable to C.

The above-described Plan A is an executive bonus plan under IRC § 162.

b. Plan B

C and K agree to provide benefits to K, but the benefit will vest 20% per year in years one-through five with 100% being vested thereafter. See attached Vesting 20% Annually schedules (Appendices C1-2). C will again pay the $50,000 bonus to K. However, because only 20% vests in year one, only 20% of that amount, or $10,000, is deductible as compensation to C. With respect to K in year one, only the $10,000 is included in compensation and K becomes vested in 20% of the cash surrender value of the policy which in our example would be $8,508. In year two, K becomes vested in 40% of the cash surrender value (or $34,299); in year three, K becomes 60% vested (or $76,044); in year four, K becomes 80% vested (or $135,688); and in year five, K becomes 100% vested in the policy, which at that time would be $210,730. Note on the attached schedules that the income taxable to K after the initial five-year vesting period equals $250,000. This is the amount of total premiums C has paid during that time. In other words, during the earlier years of the vesting schedule, K recognized less income, but in the later years of the vesting period, K recognized additional income which resulted in the full $250,000 bonus premium during the first five years of the vesting schedule to be recognized as income.

In the event C terminates his employment prior to year five, then C is entitled to a return of the non-vested premium from K.

V. SUMMARY OF ECONOMIC BENEFIT REGIME (ENDORSEMENT METHOD) SPLIT-DOLLAR PLAN

Companies use endorsement split-dollar plans for a variety of reasons. Endorsement Split-Dollar plans are effective and attractive for executives with a need or desire for insurance coverage.

A. Profile

Executive or key employee needs or desires life insurance protection. Company is willing to pay all or portion of premiums, but desires reimbursement for premiums payments.

B. Proposed Plan

Executive and company enter into a Split – Dollar arrangement in which the company owns the policy and all or a portion of the death benefit is "endorsed" to the Executive or the Executive's beneficiaries typically in the form of a trust designed to remove the death proceeds from the Executive's estate for estate tax purposes. Under the Split-Dollar Regulations the economic benefit regime will be applicable because the company is the owner of the policy.

1. <u>Equity or Non-Equity</u>

The Split-Dollar agreement may be an "equity" arrangement or "non-equity" arrangement.

In an "equity" arrangement, the non-owner owns the equity in the policy (i.e., the value of the policy in excess of the premiums paid). Here there will be three income tax components to the payment of premiums. First the economic benefit of the current life insurance protection determined under the economic benefit regime rules. Second the cash value of the policy that becomes accessible to the non-owner during the current year (whether it is withdrawn or not). Third the value of any additional economic benefits that accrue to the non-owner under the arrangement such as dividends, withdrawals or loans.

In a "non-equity" arrangement, the owner of the policy owns the equity in the policy leaving only the death benefit coverage in excess of the premiums paid to the non-owner. Here there is only one measurement of income and that is the economic benefit determined under the economic benefit regime rules.

2. Accounting for the Economic Benefit

The agreement can anticipate that the executive will pay that portion of the premium equal to the economic benefit directly to the company. If this is the case then no compensation is recognized by the executive, but the payment by the executive to the company is income to the company. See Treas. Reg. 1.61-22(f)(2)(ii). Alternatively, the company can pay the entire premium in which case the amount of economic benefit is treated as compensation to the executive.

If the non-owner endorsee is not the executive but for example a trust established for his beneficiaries then the economic benefit will constitute a gift by the executive to the trust equal in value to the economic benefit.

3. Measuring the Economic Benefit

Treas. Reg. § 1.61-22 provides that the cost of current life insurance protection provided to an employee under a split-dollar arrangement is equal to the amount of the current life insurance protection provided multiplied by the life insurance premium factor designated or permitted in guidance published in the Internal Revenue Bulletin.

Notice 2002-8 provided that the current cost of life insurance protection may be determined by (1) Table 2001 included in the Notice or (2) the insurer's lower published premium rates that are available to all standard risks for initial issue one-year term insurance. For arrangements entered into after January 28, 2002, the Service will not consider an insurer's published premium rates to be available to all standard risks who apply for term insurance coverage unless (i) the insurer regularly makes availability of such rates known to persons who apply for term insurance coverage from the insurer, and (ii) the insurer regularly sells term insurance at such rates to individuals who apply for term insurance coverage through the insurer's normal distribution channels.

Until Notice 2002-8 is modified or withdrawn by the Service, Table 2001 included therein is a reliable source for this calculation.

Insurance professionals will routinely use the alternative rates published by the insurance carriers as these can be significantly less than the Table 2001 rates. A client relying on these alternative rates should have written confirmation from the insurance company that such rates comply with the Notice 2002-8 requirements.

4. Life of the Plan

The plan terminates if the executive dies early. In this event, the proceeds will be split among the company and the non-owner beneficiary as indicated in the endorsement arrangement. The proceeds would be income tax free by both the company and the non-owner beneficiary. In this regard, a C-corporation will treat the tax free receipt of insurance proceeds as an adjustment to its "adjusted current earnings" for Alternative Minimum tax purposes.

If the executive is terminated, the executive would have no rights in the policy, unless the arrangement was an "equity" arrangement. The company would continue to own the policy and could keep or surrender the policy.

If the executive retires, the company can use certain tax-favored withdrawals or loans from the policy's cash value to (i) provide retirement benefits to the executive, or (ii) purchase the death benefit from the executive. At that time the Policy could also be bonused out to the executive. Here, if part of the initial plan, the company and the executive could have a non-qualified deferred compensation plan that provided for such a bonus or retirement benefits.

5. Benefits of Plan

a. The plan is simple to administer. It should not be subject to the participation, funding, and vesting requirements of ERISA. A notification letter should be sent to Department of Labor if the plan is established for a group of highly compensated employees or a select group of management. See DOL Regs § 2520.104-24.

b. The employer may recover all costs of the plan.

c. The plan can be terminated with no cost to executive.

6. Other Considerations

a. The policy is not a portable benefit to the executive.

b. If the policy is on the life of a majority shareholder employee the endorsement must be restricted so that the death benefit is not included in the taxable estate due to a retained incident of ownership in the policy.

C. Example

1. Facts

Company C employs executive K. Executive K is a 45 year old male, a non-smoker, and the policy is a $2,500,000 initial death benefit and an annual premium to be paid for 20 years. Unlike the REBA example above, however, company C is unwilling to bonus the entire premium to K currently as part of his compensation and desires that premiums paid on behalf of the executive's policy are reimbursed to the company.

2. Economics of the Policy

See the attached schedules illustrating the above described policy on the life of our sample executive (Appendices D1-3). The illustration assumes a 40% income tax rate on the executive and an internal return on the indexed U.L. policy of 6.25%. The illustration shows the Table 2001 economic benefit accumulation on the part of the executive and the cumulative after tax consequences of the economic benefit. If the executive retires at age 65, the cost of the policy to the executive (measured by the cumulative tax paid on the economic benefit) is $96,208.

The CSV of the policy at that time is $1,419,130 and the death benefit is $3,919,130.

The total of the premiums paid by the company is $1,000,000 ($50,000 x 20 years).

The amount of economic benefit to the executive at age 65 is $30,388 per year generating a tax of $12,155. The illustration is of "non-equity" split dollar. As such, only the economic benefit of the cost of the insurance is taxable to the executive.

Economic benefit regime rather than loan regime is most common in the employee/employer context we have been discussing. The economic benefit regime results in significantly less taxable income for the executive over the funding period (generally 10-20 years). There comes a time, however, when due to the size of the death benefit payable to the executive's family and the increasing age of the executive, that the economic benefit cost surpasses the imputed interest income which would be due on the aggregate premiums paid by the employer under the loan regime.

At this point, the executive and employer may enter into a "switch dollar" agreement such that the executive enters into a loan agreement with the company for the aggregate amount of premiums paid and agrees to either receive imputed interest income annually or to pay the annual interest amount to the company under the loan regime.

Both transfer for value considerations and estate inclusion matters should be addressed. For example, if a Trust is to be the owner, such Trust is a partner of the insured as described in IRC § 101.

If the plan is maintained in place, the economic benefit will continue to increase annually. It is therefore prudent for the company and the executive to plan a rollout of the plan or other arrangement to mitigate the continuing and increasing economic benefit to the executive.

VI. COLI PROVISIONS IN PENSION PROTECTION ACT OF 2006

Generally, all amounts received by the beneficiary of a life insurance contract are excluded from gross income IRC § 101. The Pension Protection Act of 2006 ("PPA") contains an important provision regarding corporate owned life insurance (or "COLI") policies.

Prior to this law change, some companies purchased policies on many lower-level employees, sometimes without the knowledge or consent of the employee. When an insured employee died, the company received the proceeds of the policy tax-free, and the employee's family may or may not have received any of the proceeds. The PPA changed IRC § 101 to restrict the amounts that may be received tax-free by a company unless certain exceptions are met. Under the current law, unless an exception applies, for certain employer-owned life insurance ("EOLI"), also known as company-owned life insurance ("COLI"), all proceeds received in excess of the amount of premiums paid or the cost of the contract will be taxable.

Following the passage of the PPA, an employer may receive the proceeds tax-free only if both of the following are true: (1) the policy contract is held on an appropriate insured; and (2) the corporation satisfies all disclosure, reporting and consent requirements under new IRC § 6039I prior to issuing the policy.

A. Appropriate Insureds

The Regulations under IRC § 101(j) provide that a policy will meet the first step toward being tax-free if one of the following describes the insured: (1) is among the highest paid 35% of employees in accordance with § 414(q); (2) had earnings in excess of $110,000 in 2011 (indexed for inflation in future years); (3) is an owner of 5% or more of the employer at any time during the year (or was in the preceding year); (4) is among the top 5 highest paid officers of the company (collectively, these may be referred to as "key" people or "key" employees); or (5) the insured was an employee of the company during the 12-month period prior to death.

Policies will also meet the appropriate insured rule if the beneficiary is one of the following: (1) an individual designated by the employee as a beneficiary of the policy (other than the employer); (2) a member of the insured's family; (3) a trust established for the benefit of family; or (4) the estate of the insured.

Note that the appropriate insured test is only the first step to obtaining tax-free status under the PPA. Every appropriate insured person, whether a key employee, regular employee or other beneficiary, must also meet the notice and consent and reporting requirements discussed next.

B. Notice and Consent Requirements

The notification and consent requirements of the Act are met if the employee signs a consent form before the policy is issued. The form must include the following: (1) notice in writing that the applicable policyholder intends to insure the employee's life; (2) notice of the maximum face amount for which the employee could be insured at the time the contract was issued; (3) consent from the employee to being insured under the contract; (4) notice that such coverage may continue after the insured terminates employment; and (5) notice in writing that the applicable policyholder will be a beneficiary of any proceeds payable upon the death of the employee.

C. Reporting Requirements

IRC § 6039I sets forth the annual reporting requirements for the company. The IRS has issued Form 8925 in order to comply with the annual reporting requirements under this Section. The form reports the following information to be reported in each year a described policy is owned by the company: (1) number of employees of company at year end; (2) number of employees insured by EOLI/COLI policy or policies at year end; (3) total amount of insurance in force at year end; (4) name, address and taxpayer ID of applicable policyholder and type of business the company is engaged in; and (5) statement that company has valid consent for each insured employee (or the number from whom consent has been obtained).

In summary, if the notice and consent and reporting requirements are met and the policy is held on an appropriate insured according to the provisions of the Act, the proceeds of the policy will be tax-free to the employer or company.

The author thanks John Davis, Sr. of Insurance Designers of Dallas and Mike Goodrich of Goodrich Planning Strategies, LLC for their assistance with this article.

APPENDIX A: **RESTRICTED ENDORSEMENT BONUS ARRANGEMENT AGREEMENT**

Policy Number	Insured's Name

hereinafter referred to as the "Policyowner", agrees to the following Modification of Ownership Rights, granting to

Employer

("Employer") the rights specified herein.

Without the consent of the Employer, the Policyowner shall not have the right to:

1. **Surrender the policy for its cash value,**
2. **Obtain a policy loan,**
3. **Assign the policy as collateral security,**
4. **Change the ownership of the policy by endorsement, assignment, or otherwise, or**
5. **Request a settlement of the cash value or policy proceeds under any method of settlement.**

The Employer has no interest in the policy, and will not be entitled to avail itself of the benefits of said policy, including the right to receive death proceeds.

This Modification of Ownership Rights will terminate on the earlier of:

1. **The Employer's documented cessation of business, or**
2. **The Policyowner's termination of employment with the Employer.**

The Employer may agree to release the Modification of Ownership Rights prior to the above dates.

Modification of Ownership Rights shall in no way be construed as a denial of the Policyowner's right to:

1. **Obtain a reduced paid-up policy continued in-force for the life of the Insured, or**
2. **Elect the option to obtain an extended paid-up term policy for the period designated in the policy's Guaranteed Values Table.**

It is hereby requested that the Insurer make the provisions of this Agreement a part of its records.

Policyowner	Date
x	

For Employer (Title)	Date
x	

Policy Number	Insured's Name

For value received, the above Policy and all claims thereunder are hereby released from any restrictions provided for in the "Restricted Endorsement Bonus Arrangement Agreement" dated ________________.

APPENDIX B

REBA with 100 immediate vesting for
EXECUTIVE Age 45

	--------------EMPLOYER--------------------------			--------------EMPLOYEE--------------------------			
Year	Annual Bonus Payment	Tax Benefit at 35%	Annual Effect on Cash Flow and Net Income	Taxable Income	Tax at 35%	CSV	Death Benefit
1	(50,000)	17,500	(32,500)	50,000	17,500	42,540	2,015,439
2	(50,000)	17,500	(32,500)	50,000	17,500	85,746	2,015,439
3	(50,000)	17,500	(32,500)	50,000	17,500	126,775	2,015,439
4	(50,000)	17,500	(32,500)	50,000	17,500	169,810	2,015,439
5	(50,000)	17,500	(32,500)	50,000	17,500	210,730	2,015,439
	(250,000)	87,500	(162,500)	250,000	87,500		
6	(50,000)	17,500	(32,500)	50,000	17,500	258,019	2,015,439
7	(50,000)	17,500	(32,500)	50,000	17,500	307,810	2,015,439
8	(50,000)	17,500	(32,500)	50,000	17,500	362,494	2,015,439
9	(50,000)	17,500	(32,500)	50,000	17,500	422,092	2,015,439
10	(50,000)	17,500	(32,500)	50,000	17,500	493,468	2,015,439
	(250,000)	87,500	(162,500)	250,000	87,500		
11	(50,000)	17,500	(32,500)	50,000	17,500	576,503	2,015,439
12	(50,000)	17,500	(32,500)	50,000	17,500	664,532	2,015,439
13	(50,000)	17,500	(32,500)	50,000	17,500	758,022	2,015,439
14	(50,000)	17,500	(32,500)	50,000	17,500	857,411	2,015,439
15	(50,000)	17,500	(32,500)	50,000	17,500	963,128	2,120,809
16	(50,000)	17,500	(32,500)	50,000	17,500	1,069,972	2,286,529
17	(50,000)	17,500	(32,500)	50,000	17,500	1,183,175	2,455,088
18	(50,000)	17,500	(32,500)	50,000	17,500	1,303,139	2,628,432
19	(50,000)	17,500	(32,500)	50,000	17,500	1,430,313	2,804,844
20	(50,000)	17,500	(32,500)	50,000	17,500	1,565,159	2,986,323
21	-	-	-	-	-	1,658,384	3,079,618
22	-	-	-	-	-	1,757,157	3,178,697
23	-	-	-	-	-	1,861,872	3,282,480
24	-	-	-	-	-	1,972,600	3,390,899
25	-	-	-	-	-	2,089,546	3,504,168

APPENDIX C-1

REBA with 20% annual vesting for years 1-5; 100% thereafter
EXECUTIVE Age 45

----------------------------EMPLOYEE-------------------------

Taxable Income (Vested Amount)	Tax at 35%	Vested CSV	Death Benefit[1]
10,000	3,500	8,508	2,015,439
30,000	10,500	34,299	2,015,439
50,000	17,500	76,055	2,015,439
70,000	24,500	135,688	2,015,439
90,000	31,500	210,730	2,015,439
250,000	87,500		
50,000	17,500	258,019	2,015,439
50,000	17,500	307,810	2,015,439
50,000	17,500	362,494	2,015,439
50,000	17,500	422,092	2,015,439
50,000	17,500	493,468	2,015,439
250,000	87,500		
50,000	17,500	576,503	2,015,439
50,000	17,500	664,532	2,015,439
50,000	17,500	758,022	2,015,439
50,000	17,500	857,411	2,015,439
50,000	17,500	963,128	2,120,809
50,000	17,500	1,069,972	2,286,529
50,000	17,500	1,183,175	2,455,088
50,000	17,500	1,303,139	2,628,432
50,000	17,500	1,430,313	2,804,844
50,000	17,500	1,565,159	2,986,323
-	-	1,658,384	3,079,618
-	-	1,757,157	3,178,697
-	-	1,861,872	3,282,480
-	-	1,972,600	3,390,899
-	-	2,089,546	3,504,168

APPENDIX C-2

REBA with 20% annual vesting for years 1-5; 100% thereafter
EXECUTIVE Age 45

	---EMPLOYER---					
Year	Annual Bonus Payment	Vested Portion of Premium	Tax Benefit on Vested Portion at 35%	Annual Effect on Cash Flow	Accessible Surrender Value	Unvested Cash Surrender Value
1	(50,000)	10,000	3,500	(46,500)	8,508	34,032
2	(50,000)	30,000	10,500	(39,500)	34,299	51,447
3	(50,000)	50,000	17,500	(32,500)	76,055	50,720
4	(50,000)	70,000	24,500	(25,500)	135,688	34,122
5	(50,000)	90,000	31,500	(18,500)	210,730	-
	(250,000)	250,000	87,500	(162,500)		
6	(50,000)	50,000	17,500	(32,500)	258,019	-
7	(50,000)	50,000	17,500	(32,500)	307,810	-
8	(50,000)	50,000	17,500	(32,500)	362,494	-
9	(50,000)	50,000	17,500	(32,500)	422,092	-
10	(50,000)	50,000	17,500	(32,500)	493,468	-
	(250,000)	250,000	87,500	(162,500)		
11	(50,000)	50,000	17,500	(32,500)	576,503	
12	(50,000)	50,000	17,500	(32,500)	664,532	
13	(50,000)	50,000	17,500	(32,500)	758,022	
14	(50,000)	50,000	17,500	(32,500)	857,411	
15	(50,000)	50,000	17,500	(32,500)	963,128	
16	(50,000)	50,000	17,500	(32,500)	1,069,972	
17	(50,000)	50,000	17,500	(32,500)	1,183,175	
18	(50,000)	50,000	17,500	(32,500)	1,303,139	
19	(50,000)	50,000	17,500	(32,500)	1,430,313	
20	(50,000)	50,000	17,500	(32,500)	1,565,159	
21	-	-	-	-	1,658,384	
22	-	-	-	-	1,757,157	
23	-	-	-	-	1,861,872	
24	-	-	-	-	1,972,600	
25	-	-	-	-	2,089,546	

APPENDIX D-1: Summary Presentation - Endorsement Split Dollar Summary

Employee*						Employer**				
Yr.	Age	Economic Benefit	After-Tax Plan Outlay*	Net Cash Surrender Value	Net Death Benefit	Premium Paid	Before-Tax Plan Outlay	After-Tax Plan Outlay	Surrender Value	Death Benefit
1	46	3,808	1,523	0	2,489,168	50,000	50,000	50,000	0	50,000
2	47	4,142	1,657	0	2,480,381	50,000	50,000	50,000	19,178	100,000
3	48	4,527	1,811	0	2,473,785	50,000	50,000	50,000	65,679	150,000
4	49	4,890	1,956	0	2,469,714	50,000	50,000	50,000	114,862	200,000
5	50	5,258	2,103	0	2,468,443	50,000	50,000	50,000	167,009	250,000
6	51	5,681	2,272	0	2,470,007	50,000	50,000	50,000	222,161	300,000
7	52	6,235	2,494	0	2,474,403	50,000	50,000	50,000	280,325	350,000
8	53	6,974	2,790	0	2,481,888	50,000	50,000	50,000	341,767	400,000
9	54	7,977	3,191	0	2,492,672	50,000	50,000	50,000	406,707	450,000
10	55	9,151	3,660	0	2,507,080	50,000	50,000	50,000	475,482	500,000
Total		58,644	23,457			500,000		500,000		
11	56	10,480	4,192	0	2,525,399	50,000	50,000	50,000	548,392	550,000
12	57	11,923	4,769	0	2,547,641	50,000	50,000	50,000	625,466	600,000
13	58	13,383	5,353	0	2,573,574	50,000	50,000	50,000	706,493	650,000
14	59	14,738	5,895	0	2,603,919	50,000	50,000	50,000	792,216	700,000
15	60	15,993	6,397	0	2,639,044	50,000	50,000	50,000	883,026	750,000
16	61	17,467	6,987	0	2,683,094	50,000	50,000	50,000	983,094	800,000
17	62	19,429	7,772	0	2,732,698	50,000	50,000	50,000	1,082,698	850,000
18	63	22,195	8,878	0	2,788,261	50,000	50,000	50,000	1,188,261	900,000
19	64	25,880	10,352	0	2,850,245	50,000	50,000	50,000	1,300,245	950,000
20	65	30,388	12,155	0	2,919,130	50,000	50,000	50,000	1,419,130	1,000,000
Total		240,520	96,208			1,000,000		1,000,000		
21	66	34,738	13,895	0	2,919,130	0	0	0	1,498,212	1,000,000
22	67	39,437	15,775	0	2,919,130	0	0	0	1,582,032	1,000,000
23	68	44,371	17,748	0	2,919,130	0	0	0	1,670,332	1,000,000
24	69	49,392	19,757	0	2,919,130	0	0	0	1,764,063	1,000,000
25	70	54,588	21,835	0	2,919,130	0	0	0	1,863,669	1,000,000
26	71	60,192	24,077	0	2,919,130	0	0	0	1,968,688	1,000,000
27	72	66,323	26,529	0	2,919,130	0	0	0	2,079,594	1,000,000
28	73	73,183	29,273	0	2,919,130	0	0	0	2,196,821	1,000,000
29	74	80,480	32,192	0	2,919,130	0	0	0	2,320,853	1,000,000
30	75	88,099	35,240	0	2,919,130	0	0	0	2,452,246	1,000,000
Total		831,322	332,529			1,000,000		1,000,000		
31	76	96,477	38,591	0	2,919,130	0	0	0	2,591,650	1,000,000
32	77	106,052	42,421	0	2,919,130	0	0	0	2,739,648	1,000,000
33	78	117,261	46,905	0	2,919,130	0	0	0	2,897,117	1,000,000
34	79	129,405	51,762	0	2,919,130	0	0	0	3,065,137	1,000,000
35	80	143,709	57,484	0	2,919,130	0	0	0	3,245,013	1,000,000
36	81	159,268	63,707	0	2,919,130	0	0	0	3,438,129	1,000,000
37	82	176,637	70,655	0	2,919,130	0	0	0	3,646,900	1,000,000
38	83	204,446	81,778	0	3,063,313	0	0	0	3,869,822	1,000,000
39	84	241,954	96,782	0	3,311,267	0	0	0	4,105,969	1,000,000
40	85	287,157	114,863	0	3,573,824	0	0	0	4,356,023	1,000,000
Total		2,493,688	997,475			1,000,000		1,000,000		
41	86	341,862	136,745	0	3,851,533	0	0	0	4,620,507	1,000,000
42	87	411,024	164,410	0	4,145,056	0	0	0	4,900,053	1,000,000
43	88	491,845	196,738	0	4,455,116	0	0	0	5,195,348	1,000,000
44	89	582,735	233,094	0	4,782,396	0	0	0	5,507,044	1,000,000
45	90	683,978	273,591	0	5,127,274	0	0	0	5,835,499	1,000,000
46	91	792,277	316,911	0	5,490,485	0	0	0	6,181,415	1,000,000
47	92	905,478	362,191	0	5,811,799	0	0	0	6,549,807	1,000,000
48	93	1,038,074	415,230	0	6,151,550	0	0	0	6,943,252	1,000,000
49	94	1,214,119	485,647	0	6,512,114	0	0	0	7,364,818	1,000,000
50	95	1,425,500	570,200	0	6,896,469	0	0	0	7,818,286	1,000,000
Total		10,380,579	4,152,232			1,000,000		1,000,000		
51	96	1,668,508	667,403	0	7,306,799	0	0	0	8,306,799	1,000,000
52	97	1,956,540	782,616	0	7,825,847	0	0	0	8,825,847	1,000,000
53	98	2,220,749	888,300	0	8,377,339	0	0	0	9,377,339	1,000,000
54	99	2,421,078	968,431	0	8,963,304	0	0	0	9,963,304	1,000,000
55	100	2,694,115	1,077,646	0	9,585,893	0	0	0	10,585,893	1,000,000
Total		21,341,569	8,536,628			1,000,000		1,000,000		

*The Economic Benefit is the imputed taxable value of the Employee Death Benefit based on Table 2001 rates.
**The arrangement being illustrated is an Endorsement Split Dollar Plan. The Employer owns the policy and by special endorsement the Employee designates the beneficiary of a specified portion of the death benefit.

The assumed tax bracket for the Employer is 35.00%. The assumed tax bracket for the Employee is 40.00%.

APPENDIX D-2: **Employee Endorsement Split Dollar Summary**

Yr.	Age	Economic Benefit	Tax on Economic Benefit	After-Tax Plan Outlay	Cumulative After-Tax Plan Outlay	Surrender Value	Death Benefit
1	46	3,808	1,523	1,523	1,523	0	2,489,168
2	47	4,142	1,657	1,657	3,180	0	2,480,381
3	48	4,527	1,811	1,811	4,991	0	2,473,785
4	49	4,890	1,956	1,956	6,947	0	2,469,714
5	50	5,258	2,103	2,103	9,050	0	2,468,443
6	51	5,681	2,272	2,272	11,323	0	2,470,007
7	52	6,235	2,494	2,494	13,817	0	2,474,403
8	53	6,974	2,790	2,790	16,606	0	2,481,888
9	54	7,977	3,191	3,191	19,797	0	2,492,672
10	55	9,151	3,660	3,660	23,457	0	2,507,080
Total		58,644		23,457			
11	56	10,480	4,192	4,192	27,650	0	2,525,399
12	57	11,923	4,769	4,769	32,419	0	2,547,641
13	58	13,383	5,353	5,353	37,772	0	2,573,574
14	59	14,738	5,895	5,895	43,667	0	2,603,919
15	60	15,993	6,397	6,397	50,064	0	2,639,044
16	61	17,467	6,987	6,987	57,051	0	2,683,094
17	62	19,429	7,772	7,772	64,823	0	2,732,698
18	63	22,195	8,878	8,878	73,700	0	2,788,261
19	64	25,880	10,352	10,352	84,053	0	2,850,245
20	65	30,388	12,155	12,155	96,208	0	2,919,130
Total		240,520		96,208			
21	66	34,738	13,895	13,895	110,103	0	2,919,130
22	67	39,437	15,775	15,775	125,878	0	2,919,130
23	68	44,371	17,748	17,748	143,626	0	2,919,130
24	69	49,392	19,757	19,757	163,383	0	2,919,130
25	70	54,588	21,835	21,835	185,218	0	2,919,130
26	71	60,192	24,077	24,077	209,295	0	2,919,130
27	72	66,323	26,529	26,529	235,824	0	2,919,130
28	73	73,183	29,273	29,273	265,097	0	2,919,130
29	74	80,480	32,192	32,192	297,289	0	2,919,130
30	75	88,099	35,240	35,240	332,529	0	2,919,130
Total		831,322		332,529			
31	76	96,477	38,591	38,591	371,120	0	2,919,130
32	77	106,052	42,421	42,421	413,541	0	2,919,130
33	78	117,261	46,905	46,905	460,445	0	2,919,130
34	79	129,405	51,762	51,762	512,207	0	2,919,130
35	80	143,709	57,484	57,484	569,691	0	2,919,130
36	81	159,268	63,707	63,707	633,398	0	2,919,130
37	82	176,637	70,655	70,655	704,052	0	2,919,130
38	83	204,446	81,778	81,778	785,831	0	3,063,313
39	84	241,954	96,782	96,782	882,612	0	3,311,267
40	85	287,157	114,863	114,863	997,475	0	3,573,824
Total		2,493,688		997,475			
41	86	341,862	136,745	136,745	1,134,220	0	3,851,533
42	87	411,024	164,410	164,410	1,298,629	0	4,145,056
43	88	491,845	196,738	196,738	1,495,367	0	4,455,116
44	89	582,735	233,094	233,094	1,728,461	0	4,782,396
45	90	683,978	273,591	273,591	2,002,053	0	5,127,274
46	91	792,277	316,911	316,911	2,318,963	0	5,490,485
47	92	905,478	362,191	362,191	2,681,155	0	5,811,799
48	93	1,038,074	415,230	415,230	3,096,384	0	6,151,550
49	94	1,214,119	485,647	485,647	3,582,032	0	6,512,114
50	95	1,425,500	570,200	570,200	4,152,232	0	6,896,469
Total		10,380,579		4,152,232			
51	96	1,668,508	667,403	667,403	4,819,635	0	7,306,799
52	97	1,956,540	782,616	782,616	5,602,251	0	7,825,847
53	98	2,220,749	888,300	888,300	6,490,550	0	8,377,339
54	99	2,421,078	968,431	968,431	7,458,982	0	8,963,304
55	100	2,694,115	1,077,646	1,077,646	8,536,628	0	9,585,893
Total		21,341,569		8,536,628			

APPENDIX D-3: **Employer Endorsement Split Dollar Summary**

	Yr.	Age	Premium Outlay	Employer Premium Share	After-Tax Plan Outlay	Cumulative After-Tax Plan Outlay	Surrender Value	Death Benefit
	1	46	50,000	50,000	50,000	50,000	0	50,000
	2	47	50,000	50,000	50,000	100,000	19,178	100,000
	3	48	50,000	50,000	50,000	150,000	65,679	150,000
	4	49	50,000	50,000	50,000	200,000	114,862	200,000
	5	50	50,000	50,000	50,000	250,000	167,009	250,000
	6	51	50,000	50,000	50,000	300,000	222,161	300,000
	7	52	50,000	50,000	50,000	350,000	280,325	350,000
	8	53	50,000	50,000	50,000	400,000	341,767	400,000
	9	54	50,000	50,000	50,000	450,000	406,707	450,000
	10	55	50,000	50,000	50,000	500,000	475,482	500,000
Total			500,000	500,000	500,000			
	11	56	50,000	50,000	50,000	550,000	548,392	550,000
	12	57	50,000	50,000	50,000	600,000	625,466	600,000
	13	58	50,000	50,000	50,000	650,000	706,493	650,000
	14	59	50,000	50,000	50,000	700,000	792,216	700,000
	15	60	50,000	50,000	50,000	750,000	883,026	750,000
	16	61	50,000	50,000	50,000	800,000	983,094	800,000
	17	62	50,000	50,000	50,000	850,000	1,082,698	850,000
	18	63	50,000	50,000	50,000	900,000	1,188,261	900,000
	19	64	50,000	50,000	50,000	950,000	1,300,245	950,000
	20	65	50,000	50,000	50,000	1,000,000	1,419,130	1,000,000
Total			1,000,000	1,000,000	1,000,000			
	21	66	0	0	0	1,000,000	1,498,212	1,000,000
	22	67	0	0	0	1,000,000	1,582,032	1,000,000
	23	68	0	0	0	1,000,000	1,670,332	1,000,000
	24	69	0	0	0	1,000,000	1,764,063	1,000,000
	25	70	0	0	0	1,000,000	1,863,669	1,000,000
	26	71	0	0	0	1,000,000	1,968,688	1,000,000
	27	72	0	0	0	1,000,000	2,079,594	1,000,000
	28	73	0	0	0	1,000,000	2,196,821	1,000,000
	29	74	0	0	0	1,000,000	2,320,853	1,000,000
	30	75	0	0	0	1,000,000	2,452,246	1,000,000
Total			1,000,000	1,000,000	1,000,000			
	31	76	0	0	0	1,000,000	2,591,650	1,000,000
	32	77	0	0	0	1,000,000	2,739,648	1,000,000
	33	78	0	0	0	1,000,000	2,897,117	1,000,000
	34	79	0	0	0	1,000,000	3,065,137	1,000,000
	35	80	0	0	0	1,000,000	3,245,013	1,000,000
	36	81	0	0	0	1,000,000	3,438,129	1,000,000
	37	82	0	0	0	1,000,000	3,646,900	1,000,000
	38	83	0	0	0	1,000,000	3,869,822	1,000,000
	39	84	0	0	0	1,000,000	4,105,969	1,000,000
	40	85	0	0	0	1,000,000	4,356,023	1,000,000
Total			1,000,000	1,000,000	1,000,000			
	41	86	0	0	0	1,000,000	4,620,507	1,000,000
	42	87	0	0	0	1,000,000	4,900,053	1,000,000
	43	88	0	0	0	1,000,000	5,195,348	1,000,000
	44	89	0	0	0	1,000,000	5,507,044	1,000,000
	45	90	0	0	0	1,000,000	5,835,499	1,000,000
	46	91	0	0	0	1,000,000	6,181,415	1,000,000
	47	92	0	0	0	1,000,000	6,549,807	1,000,000
	48	93	0	0	0	1,000,000	6,943,252	1,000,000
	49	94	0	0	0	1,000,000	7,364,818	1,000,000
	50	95	0	0	0	1,000,000	7,818,286	1,000,000
Total			1,000,000	1,000,000	1,000,000			
	51	96	0	0	0	1,000,000	8,306,799	1,000,000
	52	97	0	0	0	1,000,000	8,825,847	1,000,000
	53	98	0	0	0	1,000,000	9,377,339	1,000,000
	54	99	0	0	0	1,000,000	9,963,304	1,000,000
	55	100	0	0	0	1,000,000	10,585,893	1,000,000
Total			1,000,000	1,000,000	1,000,000			