

# Institutionally Priced Corporate Owned Life Insurance

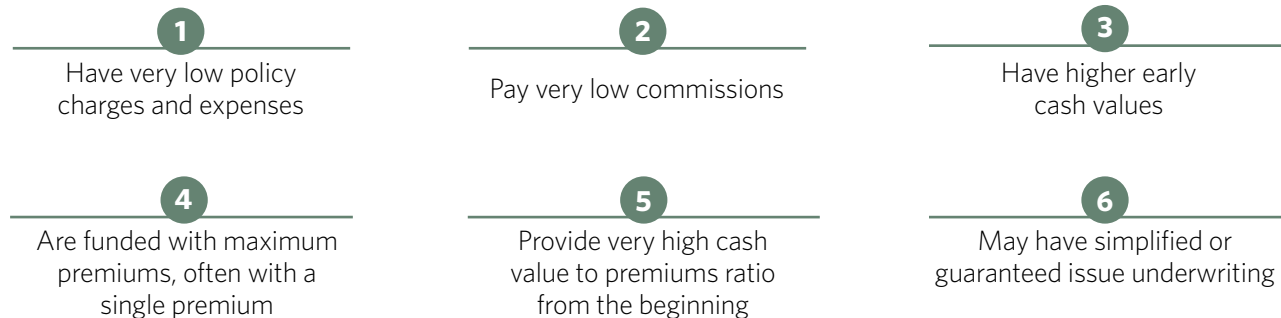
## A SOLUTION FOR TAXATION AND KEY EMPLOYEE PROTECTION

Many things keep business owners up at night, including taxation and protecting against the loss of key employees. Corporate-owned life insurance (COLI) can help with both.

COLI could refer to any type of life insurance product owned by a corporate employer on the life of an employee. The company is the owner and beneficiary and the policy is a company asset. It pays a benefit to the company when an insured employee dies. In this solution, we'll look at COLI as an institutionally priced cash value life insurance product, offered to a restricted distribution comprised mostly of businesses. A COLI policy is commonly used to secure corporate debt, hedge costs related to the loss of employees or hold a portion of a corporation's liquid assets in a relatively high-yield, tax-deferred accumulation instrument.

## WHEN TO CONSIDER INSTITUTIONALLY-PRICED COLI

In contrast to retail life insurance products, COLI products:



## PROVIDING ADDITIONAL BENEFITS

With COLI, the company may be able to provide additional benefits to key employees, without incurring an unrecoverable cost like similar benefit programs. Some specific plans funded by COLI may include:

- Buy-sell, transition planning or key employee coverage
- Supplemental employee retirement plan (SERP)
- Nonqualified deferred compensation (NQDC) plans, including 401(k) look-alike plans
- Death benefit only (DBO) plans
- Stay Bonus plans

## DESIGNING THE POLICY

Institutionally priced policies are more suitable for larger organizations holding substantial amounts of cash on the balance sheet. COLI products are typically funded with \$50,000 or more of premiums. Usually premiums are payable over just a few years – or even a single year – with a relatively low death benefit selected to minimize internal costs and develop high early cash values. Note that Modified Endowment Contract (MEC) status is often acceptable to policyholders in the COLI context.

## SUCCESS, INSURED

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