

Business Life Insurance

## EMPLOYER PAID LIFE INSURANCE

For Executives and Key Personnel

Case Study Series



Employers often provide cash bonuses and other cash-equivalent benefits to employees as an essential part of a compensation package to attract and retain valuable talent. One option your business clients may have not considered is term life insurance with return of premium. With Cincinnati Life's Termsetter ROP, you can offer a simple way to provide an additional benefit to executives and key employees:

The process is straightforward. The business owner decides who the key employees are, which could include the owner in the case of C Corporations. The business owner then chooses the term period, purchases the policy and pays the premiums, which are tax-deductible if the key person's compensation and life insurance premiums are considered reasonable by the IRS definition. The employee owns the policy, names the beneficiary and reports an amount equal to the premium for income tax purposes.

### Meet John:

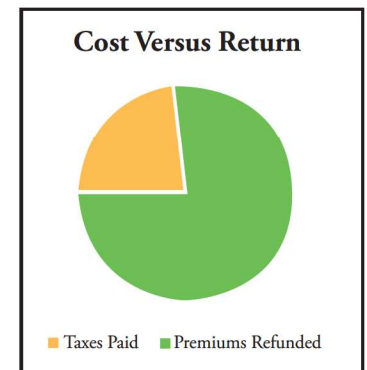
Key sales manager at Broadacres Textiles  
45 years old  
Married  
In good health

### Offer Presented:

To reward John for his success, Broadacres purchases a \$1 million 20-year Termsetter ROP policy and John names his wife Sally as the beneficiary.

### How it works:

- Broadacres chooses a Term ROP life plan, pays the premium and receives a tax deduction for the annual \$4,630 premium. Premiums assume a Preferred Plus rating class.
- John, who is in a 30% tax bracket, reports the premium as taxable income and pays \$1,389 annually. Over the 20-year term period, he pays a total of \$27,780 in taxes on the employer-paid premium.
- If John dies before the end of the 20-year period, Sally collects the \$1 million tax-free death benefit.
- If John is still living at the end of the 20-year period, John will receive a premium return of \$92,600 tax free. The tax-free rate of return on the cash values that John receives after 20 years is 10.46%.



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Everything Insurance Should Be®

This is not a policy. For a complete statement of the coverages and exclusions, please see the policy contract. All applicants are subject to underwriting approval. Products and riders available in most states.

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