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MassMutual Strategic Distributors (MMSD) is pleased to introduce **Simplify**, a case design solutions platform that helps you **grow your business**. Now you can instantly generate client presentations that **simplify insurance solutions**.



Summary charts
and graphs



Simplified ledgers
that compare
benefits--with and
without insurance



A customized
slide presentation

With Simplify, client presentations can be created, demonstrating planning concepts for Life and DI strategies including: Supplemental Income for Retirement, Business Insurance, and Estate Planning.

Collateral Assignment Split Dollar (Loan Regime)
A business employer benefit plan funded with whole life insurance

Prepared For: Ideal Client

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Endorsement Split Dollar as a Key-Person Plan
How it works before retirement or at separation of service

There are a few ways a business owner could structure the insurance policy on the life of a key person. One way is as an endorsement split dollar. This structure uses the policy and cash value to provide for the business. The value is business owned and the insurance policy can also be a key person insurance plan (KPIP).

Your business may not wish to purchase a death benefit proceeds to the key employee while retaining the balance of the death benefit to be payable to the business. This is accomplished by using an endorsement split dollar arrangement in which the employee pays the annual term cost on the amount of the death benefit endorsed. The policy is a valuable benefit to the key employee since the cost of the death benefit is only a fraction of the premium. The annual economic benefit is derived from a government published rate table, or the insurer's rate table if it qualifies under the equivalent. The economic benefit is based on the amount of the death benefit coverage and the current insured's mortality age (see Table 1). The current rate table is based on the amount of the death benefit each year as there is no out of pocket cost to the key employee.

As an employer, you may decide to endorse the policy to the key employee at the time of retirement or an earlier employee transition to only with the company. When making a loan of the policy, the key employee must pay based on its value at the time of the loan. It is possible to make the loan at 0% interest for a double loan. The company will receive a tax deduction for the loan.

HOW ENDORSEMENT SPLIT DOLLAR WORKS

Company endorses portion of death benefit to key person during the working years. Employee pays Economic Benefit Term Cost. Company has Cash Value, Loan, and Cash Surrender Value. Insurer provides Death Benefit to Company.

It is also possible for the company to decide later to use the policy's cash value to offer a supplemental retirement benefit to the employee. Endorsement split dollar from the policy's cash value will reduce the death benefit, cash surrender value, and any amount payable to the beneficiary of the death benefit if the policy is not used for retirement. Full payment for the option has the right to name the beneficiary of the death benefit and may affect the right to the potential cash value accumulation in the policy. The bonus amount is fully tax deductible to the business, provided it is considered reasonable compensation. The bonus is paid to the employee by the business. It is also possible for the bonus to include the tax cost by the employee, often referred to as a "double bonus".

Access to cash values through borrowing or partial surrenders will reduce the policy's cash value and death benefit, increase the chance the policy will lapse, and may result in a tax liability if the policy surrenders before the death of the insured.

Maximizing Social Security
Using Life Insurance as an Income Bridge

Social Security Basics. Social Security income (SS) can be phased beginning at age 62. However, there is a 30% reduction in Social Security if you claim before full retirement age (FRA), which is typically between age 65-67 (depending on birth year). See Chart A below.

Maximizing Social Security Benefits. Depending on your age and health, waiting until age 70 to claim social security benefits, you may be able to increase your monthly benefit by the year.

HOW SOCIAL SECURITY WORKS

Chart A: Reduction/Increase in SS Benefits By Age
Based on an FRA of Age 67

Claiming Age	FRA
62	67
63	67
64	67
65	67
66	67
67	67
68	67
69	67
70	67

1 The decision to delay taking Social Security is dependent on a number of factors, most especially including your health, cost of living, and other available sources of income. Delaying Social Security benefits may not be desired or appropriate. Please consult your financial advisor to assess the benefits and risks for your particular situation.

Executive Bonus Plan (Section 162 Bonus Plan)

One of the simplest, yet highly cost-effective benefits plans an employer can offer is an Executive Bonus Plan (also known as a "Section 162 Bonus Plan"). The life of the plan, which is an agreement, is to make a bonus to the employee in the amount of the annual premium on the insurance policy for which the executive is the owner and insured. Full payment for the option has the right to name the beneficiary of the death benefit and may affect the right to the potential cash value accumulation in the policy. The bonus amount is fully tax deductible to the business, provided it is considered reasonable compensation. The bonus is paid to the employee by the business. It is also possible for the bonus to include the tax cost by the employee, often referred to as a "double bonus".

HOW AN EXECUTIVE BONUS PLAN WORKS

Executive receives Bonus from C-Corporation. C-Corporation pays Premiums to Insurance Company. Insurance Company provides Life Insurance proceeds to Executive.

Distributions under the policy (including cash dividends and potential surrender) are not subject to taxation so to the extent paid to the policy (loan basis). If the policy is a Modified Endowment Contract, policy loans and/or distributions are taxable to the extent of gain and are subject to a 10 percent tax penalty if the policyowner is under age 59 1/2. Access to cash values through borrowing or partial surrenders will reduce the policy's cash value and death benefit, increase the chance the policy will lapse, and may result in a tax liability if the policy surrenders before the death of the insured.

Diversifying Taxes at Retirement

Historical Income Tax Rates

If you are saving for retirement, you are likely accumulating funds across different types of accounts. Given the unpredictability of future tax rates, assuming that your money is waiting for you in a retirement savings vehicle, diversification of the accounts owned may be a prudent strategy.

Table A looks at the history of income tax rates. The graph below illustrates how low U.S. federal tax rates are right now, relative to what they have historically. Coming off the pandemic, and given the roughly \$2.4 trillion national debt estimate, tax rates may not remain this low for 10 to 20 years from now.

Historical Highest Marginal Tax Rates: 1913-2021

Source: U.S. Department of Treasury.

Filling in the Post-Retirement Income Gap
For High Income Earners

High income earners may experience a significant income gap at retirement due to the limits placed on contributions made to an employer-sponsored plan, like a 401(k) or 403(b) plan.

Take a look at the hypothetical figures in Chart A below which compares different compensation levels for a male, currently age 40, who contributes the national average to a 401(k) and only retires at age 67. The chart demonstrates the projected gap before and after retirement. In 2022, the maximum pre-tax contribution to a qualified retirement plan is \$20,500 per participant (\$27,000 age 50+).

Chart A: Replacement of Annual Compensation with Social Security & 401(k) Income Sources at Retirement Age 67 (Current Age 40, Male)

High Income Range	Compensation	\$88,000	\$108,000	\$200,000	\$300,000	\$400,000
401(k) Max Contribution	\$0	\$0	\$0	\$0	\$0	\$0
Retirement Income (Social Security)	\$0	\$10,000	\$20,000	\$20,000	\$20,000	\$20,000
Income Gap	\$88,000	\$98,000	\$180,000	\$180,000	\$180,000	\$180,000
401(k) Annual Benefits at Age 67	\$14,000	\$28,000	\$70,000	\$70,000	\$70,000	\$70,000
Retirement Income (Social Security) Monthly Equivalent at Age 67	\$33,513	\$33,296	\$38,340	\$38,340	\$38,340	\$38,340
Retirement Income (Social Security) Annual Equivalent at Age 67	\$382,518	\$399,552	\$460,080	\$460,080	\$460,080	\$460,080
Income Gap	(\$174,000)	(\$391,552)	(\$109,940)	(\$109,940)	(\$109,940)	(\$109,940)
Replacement Rate, % of Compensation required to fund Social Security at 67	73.00%	61.30%	54.17%	36.17%	27.00%	

Given the distribution in how much one can contribute to an employer-sponsored plan, the more you seek employer-sponsored working years, the better your income replacement at retirement. This means you need employer-sponsored working years, the better your income replacement at retirement. This means you need employer-sponsored working years, the better your income replacement at retirement. This means you need employer-sponsored working years, the better your income replacement at retirement.

Chart A Assumptions:
Benefits from the 401(k) account: a male, age 40 today makes maximum contributions allowable to a 401(k) annually for 27 years, based on a hypothetical 10% rate of return, and then purchases a single life annuity annuity with a life expectancy of 27.1. The maximum pre-tax contribution to the 401(k) account is \$20,500 per participant under age 50 and \$27,000 for age 50+. Social Security: the maximum pre-tax contribution to a qualified retirement plan is \$20,500 per participant (\$27,000 age 50+). The annuity also assumes that the participant of the retirement plan who has been insured continuously since age 21 and has worked only 35 of the previous 40 years.

To have your case designed, or to learn more about Simplify, please contact your Managing Director or the Advanced Sales Team at 1-800-601-9983, Option 2, or email MMSDAdvancedSales@MassMutual.com.

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