



SUCCESS  
STRATEGIES

Advanced Sales

# Corporate Split Dollar Loans

How MassMutual®'s new Whole Life 10 Pay policy helps business owners guard against "poaching"

## The power of MassMutual's NEW Whole Life 10 Pay in a corporate split dollar loan

Business owners can use after-tax corporate funds (taxed at 21%, compared to the 37% highest personal tax rate) to offer an attractive insurance benefit to their key people, including themselves. By funding a Whole Life 10 Pay policy as part of an incentive plan, employers can guard against competitors "poaching" their best talent.

**MassMutual's new Whole Life 10 Pay policy is ideal for corporate split dollar incentive plans because under the new 7702 rules, less death benefit is required for the same amount of premium:**

- As such, the cost of the death benefit coverage is reduced, allowing more of the premium to be allocated to the growth component of the policy, its cash value accumulation.
- This means the policy may have enough cash to *repay the split dollar loan earlier*.
- At retirement, the policy may potentially generate significant supplemental income for the executive — *even after the split dollar loan is repaid*.<sup>1</sup>

What's more, MassMutual's Whole Life 10 Pay policy offers flexibility for the executive to assess how to use the policy at retirement for *immediate supplemental income, delayed supplemental income, or to preserve the death benefit coverage*.

### MASSMUTUAL'S WHOLE LIFE 10 PAY POLICY OFFERS FLEXIBILITY AT RETIREMENT

#### Option 1

Preserve  
death benefit  
coverage  
for heirs

#### Option 2

Begin  
supplementing  
income earlier  
in retirement

#### Option 3

Focus is on  
supplementing  
income later  
in retirement

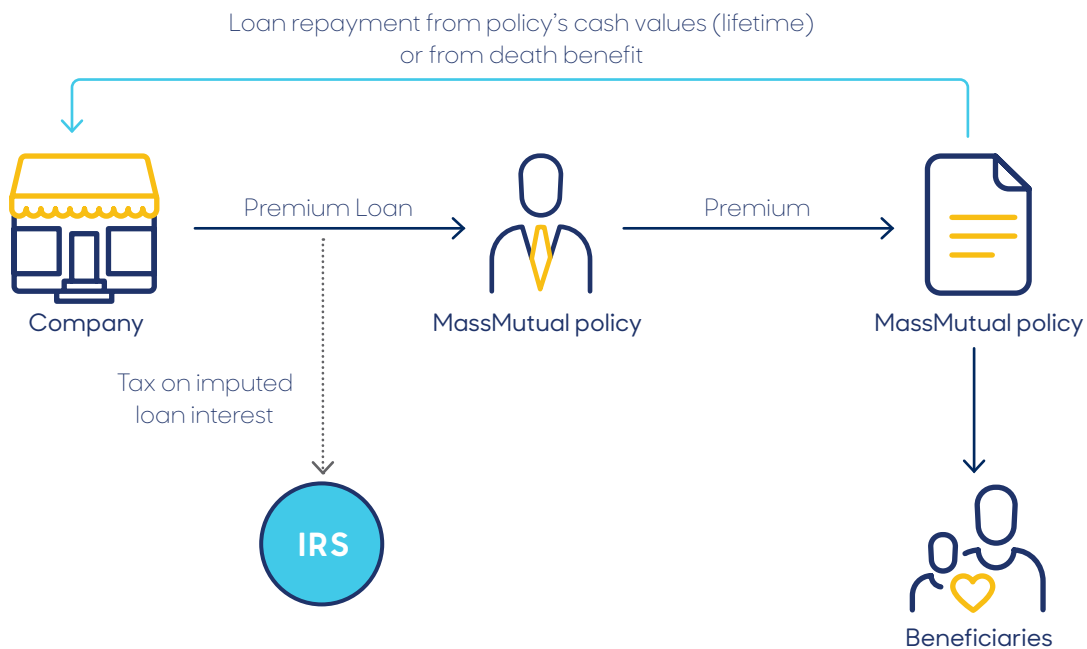


# Life Insurance

## In a corporate split dollar plan:

- The company **loans the annual premium** on a life insurance policy on the life of the key executive or the owner.
- The policy is owned by the executive and offers valuable life insurance coverage to surviving family members during the working years in the event of premature death.
- During the loan term, tax on the imputed loan interest is included in the key person's income.
- At the end of the loan term (prior to retirement), the employee uses the policy's cash values (or a portion of the death proceeds) to repay the employer the cumulative premium loan.
- Once the loan is repaid, the collateral assignment is released, and the key person retains all rights to the policy.
- At retirement, the key person accesses the policy's cash values to supplement retirement income or to preserve the death benefit for heirs, depending on needs at that time.

## How a corporate split dollar loan works

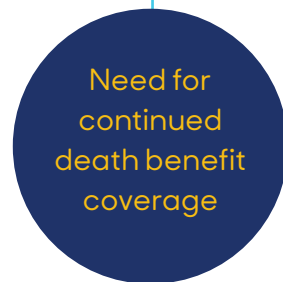




## Consider the flexibility that MassMutual's Whole Life 10 Pay policy offers the key executive at retirement

### MASSMUTUAL'S WHOLE LIFE 10 PAY OFFERS FLEXIBILITY AND HIGHER CASH VALUES FOR CORPORATE SPLIT DOLLAR PLANS

	MALE AGE 48, Ultra Preferred Non-Tobacco		
Chart A	ILLUSTRATION 1 No supplemental income taken from policy at retirement	ILLUSTRATION 2 Supplemental income taken at retirement beginning at age 66	ILLUSTRATION 3 Supplemental income taken at retirement beginning at age 76
Initial Death Benefit	1,322,052	1,322,052	1,322,052
Annual Premiums 10 years	100,000	100,000	100,000
Surrender/loan year 11/age 59 (year to repay loan)	1,000,000	1,000,000	1,000,000
Net Cash Value at age 65, beginning of year	\$302,814	\$302,814	\$302,814
Executive takes distributions from policy to supplement retirement income <sup>1</sup>	—	\$64,114/year age 66 to 86	\$143,672/year age 76 to 86
IRR on NCV at age 86 End Year <sup>2</sup>	<b>6.02%</b>	<b>7.06%</b>	<b>6.46%</b>
Net Death Benefit end of year at age 86	\$2,539,304	\$711,609	\$643,979



Basic Illustration #1



Basic Illustration #2



Basic Illustration #3

**Chart A** is a supplemental illustration that is not valid unless accompanied by the basic illustration (click above links for each illustration). Refer to the basic illustration for assumptions, explanations, guaranteed elements and additional information. The values shown here are taken from the current assumption of non-guaranteed values.

These illustrated amounts are not guaranteed. They include dividends, which are neither estimates nor guarantees, that have been applied to purchase paid-up additions based on the 2022 dividend schedule. The dividend schedule is reviewed annually, and it is likely that dividends in future years will be lower or higher depending on the Company's actual experience. For this reason, we strongly recommend that you look at a lower dividend schedule illustration. Refer to the Basic Illustrations for guaranteed elements, assumptions, explanations and other important information.



Contact Advanced Sales at 1-800-601-9983 Option #2  
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<sup>1</sup> Loans and withdrawals will reduce the death benefit and cash surrender value and may cause the policy to lapse. Lapse or surrender of a policy with a loan may cause the recognition of taxable income. Policies classified as Modified Endowment Contracts (MEC) may be subject to tax when a loan or withdrawal is taken. A federal tax penalty of 10% may also apply to a MEC policy if the loan or withdrawal is taken prior to age 59½.

<sup>2</sup> The Internal Rate of Return is a measure that can be used to evaluate performance and is based on the current dividend schedule. It is the amount at which outlays (out-of-pocket costs) up to that year must be compounded each year to generate the Net Cash Value.

Whole Life Legacy Series policies ((MMWL-2018 and ICC18-MMWL in certain states, including North Carolina)/(MMWLA-2018 and ICC18-MMWLA in certain states, including North Carolina)), and MassMutual Whole Life series policies on the Coverpath platform (Policy Forms: WL-2018 and ICC18WL in certain states, including North Carolina) are level-premium, participating, permanent life insurance policies issued by Massachusetts Mutual Life Insurance Company, Springfield, MA 01111-0001.

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