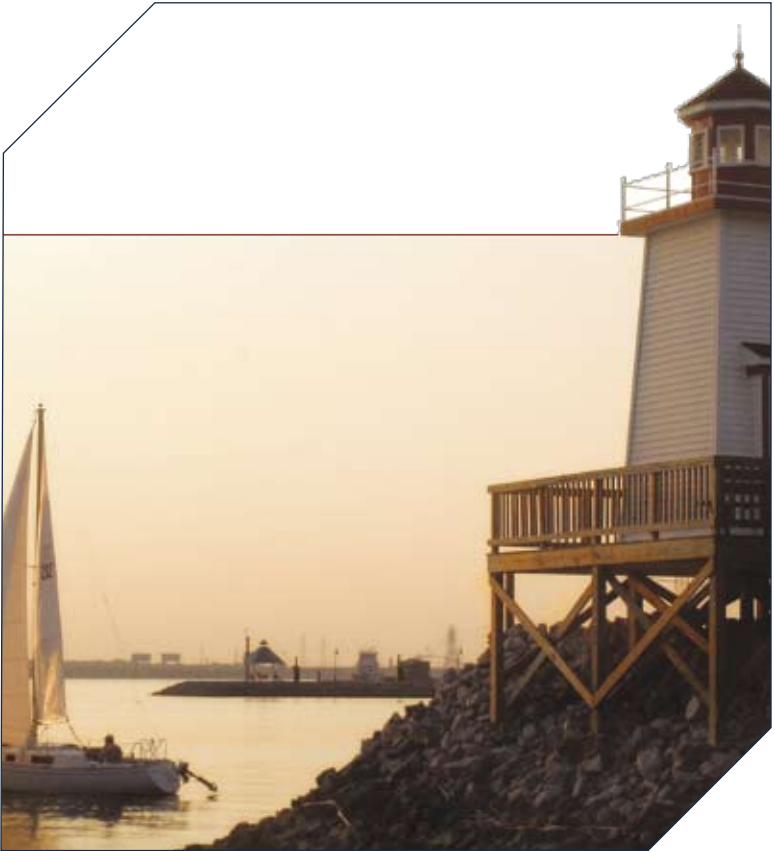


NATIONAL LIFE INSURANCE COMPANY



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Experience the Advantage of Section 79



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For Use In New York and Pennsylvania Only

Experience
THE Benefits
OF *Section 79*
& Permanent Life Insurance

*Business owners are faced
with multiple challenges:*

- Protecting their family against financial loss in the event of a premature death
- The impact of income taxes
- Planning for a secure retirement
- Recruiting, rewarding, and retaining executive talent



Fortunately, there is a way that can help address these challenges ...

...using permanent life insurance in conjunction with Section 79 of the Internal Revenue Code.

Why Section 79?

Section 79 has been known for years primarily as a way to provide term life insurance to groups of employees. What has been less well known is that Section 79 allows for **permanent benefits** to be provided as well.

At the core of every Section 79 permanent benefit plan is a cash value life insurance contract. The tax implications for participating employees are dictated by the Regulations under Section 79. Only specially designed life insurance contracts will produce favorable tax results under this formula, and very few such contracts are currently available in the marketplace.

The Income Tax Advantage

For the Employer:

- **Contributions to the plan are tax-deductible,** assuming they constitute “reasonable compensation.”

For the Employee:

- Employees’ beneficiaries receive life insurance proceeds income tax-free.
- Employees can receive up to **\$50,000 of life insurance income tax-free.**
- When permanent life insurance is elected, **Employees include only a portion** of each premium in income.
- Life insurance **cash values accumulate tax-deferred.**
- Once the plan is terminated, insurance **policy loans and withdrawals can provide tax-free income,** as long as the contract is kept in force and withdrawals do not exceed cost basis.¹

¹ Policy loans and withdrawals will reduce the policy’s cash value and death benefit and may result in a taxable event. Surrender charges may reduce the policy’s cash value in the early years. Policy loans will be taxed as ordinary income if the policy is allowed to lapse.



The Retirement Advantage

The foundation of a secure retirement is generally a qualified pension, profit sharing, or 401(k) plan. However, when the business owner has done all he or she is prepared to do with respect to qualified plans, a Section 79 permanent benefit plan can help.

- The plan provides permanent life insurance coverage.
- Policy cash values accumulate tax-deferred.
- If supplementary retirement income is needed, income tax-free policy loans may be taken by the participant.¹
- Ultimately, policy death benefits can continue to supplement retirement income for a surviving spouse.

The Family Protection Advantage


Life insurance serves the critical function of protecting families against the financial consequences of a premature death. Money cannot replace a person, but it can compensate for the loss of income.

Permanent life insurance purchased under a Section 79 plan can provide a financial safety net for the employee's family in a number of ways:

- Since employees are taxed on only a portion of the premium during the five-year funding period, they are highly motivated to obtain the coverage.
- When permanent life insurance is used to fund the plan, it is designed to last for the employee's lifetime
- Policy riders can be used to customize coverage and provide living benefits.²
- Death benefits are received by beneficiaries income tax-free.

² Riders are optional and may require additional premium. The use of living benefits may reduce other policy benefits.





Section 79 offers a unique opportunity to recruit, reward, and retain executive talent.

The Executive Benefit Advantage

A Section 79 permanent benefit plan offers a unique opportunity to recruit, reward, and retain executive talent. Ideally, qualified retirement plans provide the foundation for an executive benefit program. While these plans offer exceptional tax benefits, they have their limitations:

- High costs for rank and file employees.
- Limits on contributions and
- Restrictions on when benefits can be received

A Section 79 plan can help alleviate these limitations.

Employee Coverage

A Section 79 permanent benefit plan generally involves modest cost for rank and file employees. Because of the current income tax consequences for those electing permanent benefits – or term amounts in excess of \$50,000 – our experience shows that rank and file employees typically elect the option that involves no extra cost for them: \$50,000 of group term insurance.

More reasons to consider a Section 79 plan:

- Once the initial program is complete, the employer can offer a new program.
- Since the life insurance contracts are owned by the executives from the outset, the plan offers complete portability.





How to Gain the Advantage

You should first meet with a financial professional to determine if a Section 79 plan funded with permanent life insurance will work for your business.

The following steps will be taken to implement the plan:

1. Provide an employee census to your financial professional, who will work with a Third Party Administrator (TPA) to prepare an illustration of the plan.
2. Bring in your tax and legal advisors to review plan documents and the legal foundations of the plan.
3. Identify eligible employees.
4. Allow employees to make benefit elections.
5. Complete life insurance applications.
6. Sign plan documents.
7. Make contributions to the plan to pay the insurance premium.

After the plan has been adopted and funded, the TPA will prepare statements for the employer each year that serve as the foundation for W-2 tax reporting on the value of benefits in excess of \$50,000 of term insurance.



*Section 79,
funded with permanent
life insurance:*

- Providing financial protection for families in the event of a premature death
- Helping to recruit, reward, and retain executive talent
- Lowering the impact of income taxes
- Supplementing retirement income

Experience Life™

NATIONAL LIFE INSURANCE COMPANY



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