

# Loan Regime Split-Dollar for a Major Tax Exempt University

For: Roger DeWitt Thompson



**"The best way to predict the future is to create it."**

Abraham Lincoln

Presented By:

[Licensed user's name appears here]

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## Preface

This executive fringe benefit involves a series of employer-sponsored loans to a valued executive for the purpose of purchasing a cash value life insurance policy.

**Promissory Notes:** The loans that are associated with this form of split dollar are evidenced by a series of promissory notes between the employer and the executive, and the life insurance policy is assigned as security for the loans. The loans are typically term loans, i.e., they are due at the end of specific period of years; however, the promissory note calls for the acceleration of repayment should the executive die prior to the date of scheduled loan repayments.

**Loan Interest:** The interest rate for each loan must bear interest equal to or greater than the Applicable Federal Rate (AFR) established under IRC Sections 7872(f)(2)(A) and 1274(d) at the inception of the loan.

If no interest or an inadequate rate of interest is charged on a loan, the IRS recharacterizes the loan into an “arms-length” transaction and imputes an interest rate that is deemed to have been received by the lender and paid by the borrower. As an additional benefit, the employer may choose to offset the executive's tax on any imputed loan interest by way of a bonus.<sup>1</sup> Alternatively, loan interest may be accrued.

The AFR is determined by the length of the loan transaction, i.e., either the demand loan (blended annual rate), the short-term rate (3 years or less), the mid-term rate (over 3 years but not over 9 years), or the long-term rate (over 9 years).

So long as the loan interest rate paid is equal to or exceeds the Applicable Federal Rate, no interest is imputed by the IRS on the transaction.

The loan interest rate for each new loan will likely be different, and each such loan must bear interest equal to or greater than the selected AFR in effect during the month the new loan is executed. Each new loan should be evidenced by its own promissory note.

### **There are four ways to deal with unknown future loan interest rates:**

1. If the executive is paying tax on imputed interest on the split dollar loan, a bonus<sup>1</sup> can be paid from the employer to the executive to help pay this tax. Depending on the relative income tax brackets between the employer and the executive, this could be an attractive option and help reduce the impact of rising interest rates.
2. If the loan interest rate increases, the executive can be allowed to accrue the additional interest. Alternatively, the executive could also withdraw funds from his or her share of the policy values to make up the difference in the loan interest due.
3. Renegotiate the loans: Wait until a time when AFR dips and recast the series of promissory notes into a new note at the reduced rate.
4. Consolidate all loans to the executive at the inception of the plan. Although the loan involves a one-time transfer of funds from the employer to the executive, the life insurance policy in the accompanying material bears multiple scheduled premiums due to the more favorable taxation of policies not funded with a single premium. The funds in excess of the dollars needed to pay the policy's initial premium are reserved by the executive in a Premium Reserve Account (PRA) and used to pay the stream of multiple premiums required for the most favorable taxation of policy values. The employer may want to require some form of custodianship for the reserved funds to be certain they are used for the intended purpose.

### **AFRs in effect for March 2022**

Long-term loans (over 9 years): 2.14%  
Mid-term loans (over 3 years; not over 9): 1.74%  
Short-term loans (3 years or less): 0.97%  
Demand loans (blended annual rate): 0.13%

<sup>1</sup>When using a bonus to assist with the payment of tax on imputed loan interest, care must be taken not to have the executive use these bonus payments to make loan interest payments (or loan repayments) back to the employer. This restriction complies with the prohibition against the employer making such payments as provided in the split-dollar final regulations issued in 2003 (TD 9092, 9/11/03 and Rev. Rul. 2003-105). Bonuses used to offset the income tax on imputed income should be acceptable.

Preface (continued)

**Repayment of Loans from the Employer**

In the event of the executive's death, the employer's loans are repaid from the life insurance policy's death benefit; otherwise, loan repayment is handled in one of the following ways. A check mark indicates the method illustrated in the accompanying material.

- 1. The executive uses personal funds to repay the loans from the employer.
- 2. The executive borrows against the policy or surrenders a portion of policy values to repay the loans from the employer.

**Living Benefits for the Executive**

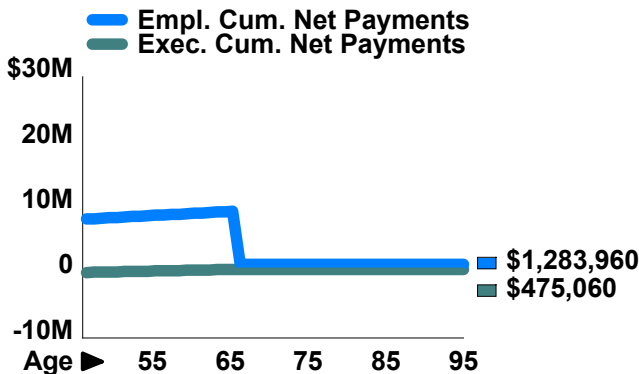
The executive may, if the parties agree, have direct access to policy cash values in excess of the amount required to collateralize the loans from the employer.

If the loans have been repaid, the executive has free access to the cash values. The cash values can be accessed via: 1) policy loans or 2) policy withdrawals or 3) a combination of loans and withdrawals.

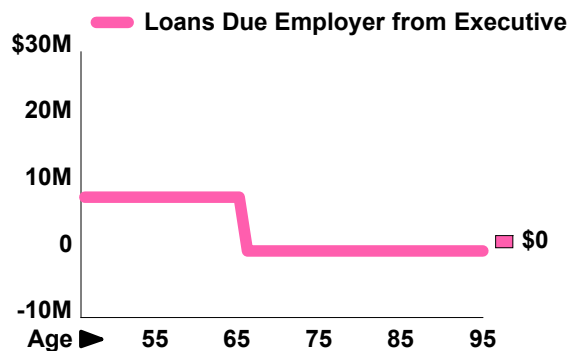
**Death Benefits for Beneficiaries**

Income tax free death benefits from the executive's share of the life insurance policy's death benefit can produce income streams for the executive's family or liquidity to help offset wealth transfer taxes.

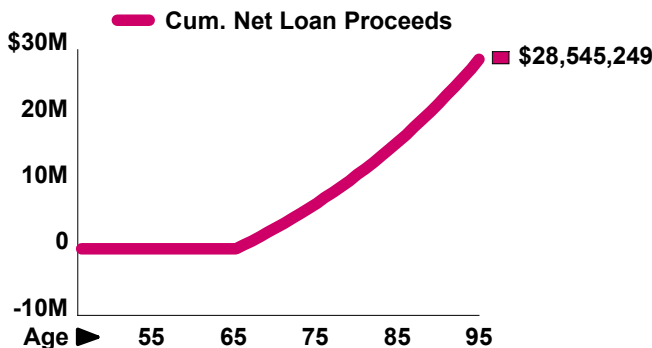
Plan Payments



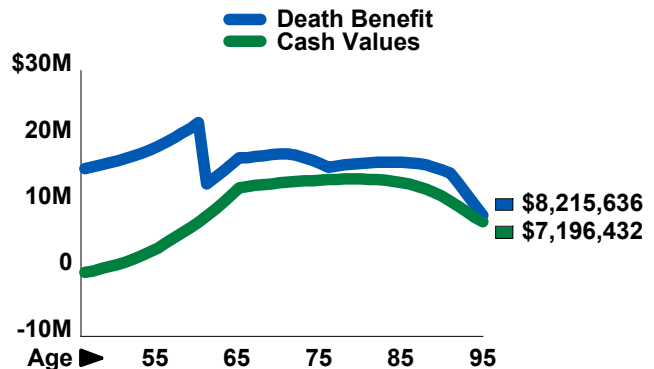
Employer's Loan Receivable



Executive's Cash Flow



Executive's Values



## Preface (continued)

Major Tax Exempt University

### **Important Notes**

A dramatic rise in loan interest rates at the maturity of a demand, short-term or mid-term loan may result in less-than-acceptable loan interest rates when the loan is renewed. When you are dealing with a financial arrangement of many years, long-term loans produce more stable interest rates that can be renegotiated downward should rates decline, but are capped at rates that are known as each loan is made. Due to this you may want to establish your arrangement using long-term loans.

IRC Section 409A should not apply to this form of split dollar unless the employer is bound by the agreement between the parties to forgive the loan, waive payments, etc.

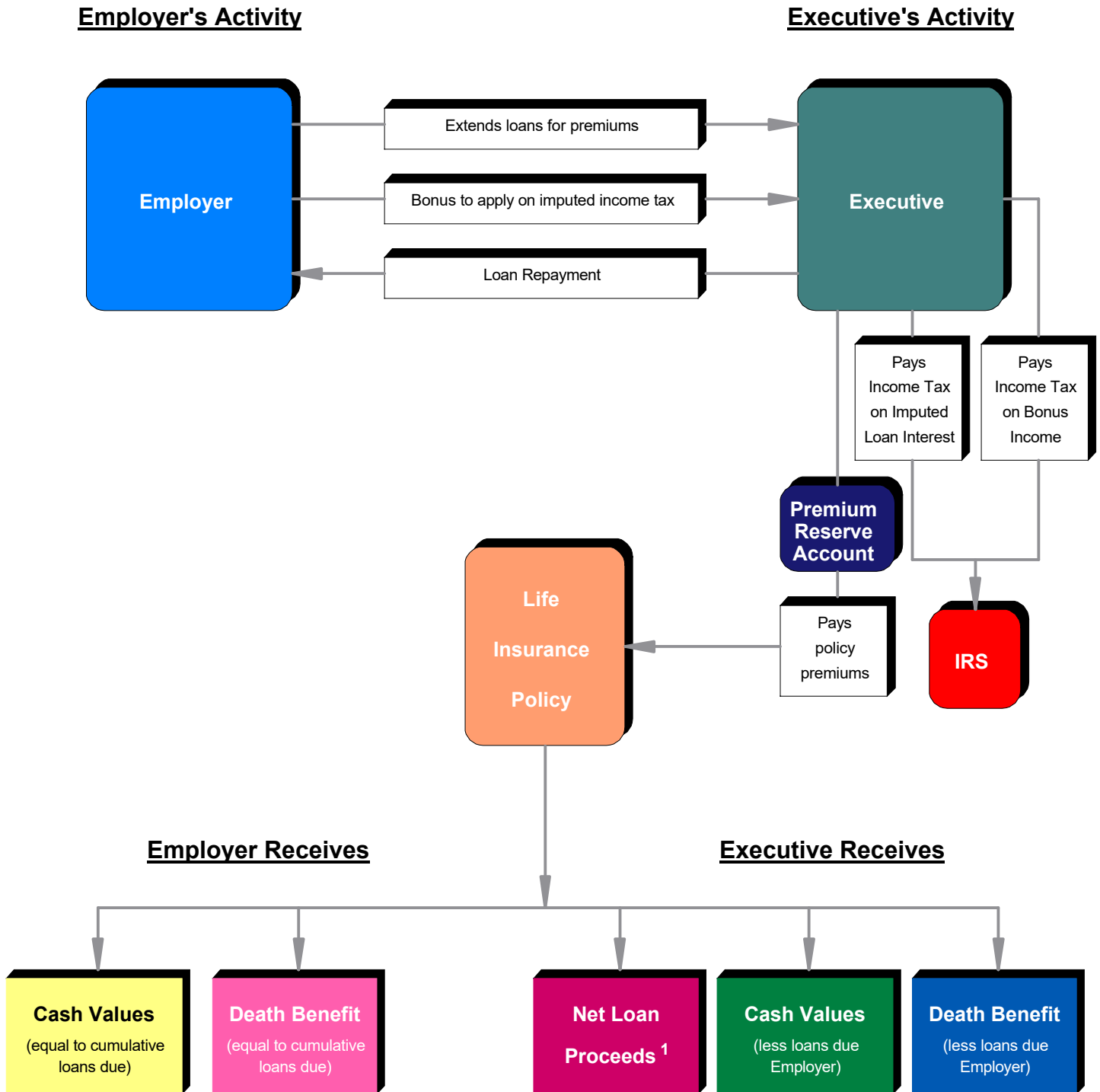
Policy loans reduce cash values and death benefits, and the lapse of a policy with loans could result in negative tax consequences. Be sure to consult with your own legal and tax advisers if you have any questions about this issue.

You should also consult with these advisers before entering into this or any other arrangement involving tax, legal, and economic considerations.

Care must be exercised if a hospital and a doctor employed by that hospital use this form of split dollar due to the Medicare-Medicaid Anti-Kickback Rule and the Stark II Rules. A plan should be able to be designed that complies with these rules; however, if this applies to you, be certain to consult with your legal and tax advisers on these issues.

Flow Chart

Employer: Major Tax Exempt University



Note: If the loan interest rate on each loan is equal to or greater than the Applicable Federal Rate established under IRC Sections 7872(f)(2)(A) and 1274(d), then no additional loan interest will be imputed to the Executive.

<sup>1</sup> For loan repayment and retirement income for the executive.



# Loan Regime Split-Dollar for a Tax Exempt University Funded With Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Roger DeWitt Thompson

Employer: Major Tax Exempt University

## Illustration of Policy Values Funding the Plan

		Indexed UL Interest Rate 6.20%	Initial Premium 1,000,000	Initial Policy Death Benefit 15,000,000		
Year	Male Age	(1) Policy Premium	(2) Net Policy Loan Proceeds	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Death Benefit
1	45	1,000,000	0	877,569	242,469	15,877,569
2	46	1,000,000	0	1,809,399	1,190,049	16,809,399
3	47	1,000,000	0	2,798,846	2,195,246	17,798,846
4	48	1,000,000	0	3,849,474	3,261,774	18,849,474
5	49	1,000,000	0	4,965,068	4,393,118	19,965,068
6	50	1,000,000	0	6,149,647	5,593,597	21,149,647
7	51	1,000,000	0	7,407,479	6,867,179	22,407,479
8	52	1,000,000	0	8,743,095	8,292,945	23,743,095
9	53	1,000,000	0	10,161,308	9,801,158	25,161,308
10	54	1,000,000	0	11,709,702	11,439,552	26,709,702
11	55	0	0	12,334,500	12,154,500	27,334,500
12	56	0	0	12,997,956	12,907,956	27,997,956
13	57	0	0	13,702,462	13,702,462	28,702,462
14	58	0	0	14,450,560	14,450,560	29,450,560
15	59	0	0	15,242,665	15,242,665	30,242,665
16	60	0	0	16,173,285	16,173,285	31,025,271
17	61	0	0	17,160,256	17,160,256	31,965,128
18	62	0	0	18,206,899	18,206,899	32,940,692
19	63	0	0	19,316,603	19,316,603	33,952,587
20	64	0	0	20,493,276	20,493,276	35,001,796
21	65	0	8,707,822	21,681,645	12,538,432	16,874,761
22	66	0	618,000	22,933,748	12,684,475	17,041,887
23	67	0	636,540	24,252,856	12,822,751	17,188,266
24	68	0	655,636	25,642,288	12,952,261	17,311,450
25	69	0	675,305	27,104,746	13,071,146	17,407,905
26	70	0	695,564	28,643,654	13,178,031	17,474,580
27	71	0	716,431	30,267,032	13,275,875	17,210,589
28	72	0	737,924	31,980,399	13,364,864	16,882,708
29	73	0	760,062	33,789,943	13,445,567	16,486,662
30	74	0	782,864	35,702,640	13,519,038	16,018,223
		10,000,000	14,986,148			

### 30 Year Summary

Cum. Payments	10,000,000
Cum. Net Policy Loan Proceeds	14,986,148
Cash Value	13,519,038
Death Benefit	16,018,223

\*This illustration assumes the illustrated non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

# Loan Regime Split-Dollar for a Tax Exempt University Funded With Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Roger DeWitt Thompson

## Illustration of Policy Values Funding the Plan

Employer: Major Tax Exempt University

Indexed UL Interest Rate 6.20%  
 Initial Premium 1,000,000  
 Initial Policy Death Benefit 15,000,000

Year	Male Age	(1) Policy Premium	(2) Net Policy Loan Proceeds	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Death Benefit
31	75	0	806,350	37,726,401	13,586,951	15,473,272
32	76	0	830,540	39,856,894	13,638,404	15,631,249
33	77	0	855,457	42,099,059	13,671,415	15,776,368
34	78	0	881,120	44,457,921	13,683,719	15,906,615
35	79	0	907,554	46,938,692	13,672,848	16,019,783
36	80	0	934,780	49,546,389	13,635,733	16,113,053
37	81	0	962,824	52,285,357	13,568,204	16,182,472
38	82	0	991,709	55,160,560	13,466,255	16,224,283
39	83	0	1,021,460	58,176,778	13,325,225	16,234,064
40	84	0	1,052,104	61,335,711	13,136,872	16,203,657
41	85	0	1,083,667	64,636,321	12,889,689	16,121,505
42	86	0	1,116,177	68,081,930	12,575,982	15,980,078
43	87	0	1,149,662	71,672,154	12,183,763	15,767,371
44	88	0	1,184,152	75,402,065	11,695,895	15,465,998
45	89	0	1,219,676	79,266,891	11,094,752	15,058,097
46	90	0	1,256,267	83,257,705	10,357,879	14,520,764
47	91	0	1,293,955	87,470,628	9,567,158	13,065,983
48	92	0	1,332,773	91,946,119	8,748,064	11,506,448
49	93	0	1,372,757	96,739,354	7,940,001	9,874,788
50	94	0	1,413,939	101,920,388	7,196,432	8,215,636

10,000,000      36,653,071

### 50 Year Summary

Cum. Payments	10,000,000
Cum. Net Policy Loan Proceeds	36,653,071
Cash Value	7,196,432
Death Benefit	8,215,636

\*This illustration assumes the illustrated non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

# Loan Regime Split-Dollar for a Tax Exempt University Funded With Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Roger DeWitt Thompson

## Premium Reserve Account (PRA) Analysis

Employer: Major Tax Exempt University

PRA's Assumed  
Hypothetical Portfolio Net Yield  
5.00%

Funding of the Life Insurance Policy						
Year	Male Age	(1) Executive's Allocation to the Premium Reserve Account	(2) Withdrawal from the Premium Reserve Account for Premium	(3) Account Balance After Withdrawal	(4) Annualized Net Yield Assumed	(5) Year End Balance in Premium Reserve Account* (3) + (4)
1	45	8,107,822	1,000,000	7,107,822	355,391	7,463,213
2	46	0	1,000,000	6,463,213	323,161	6,786,374
3	47	0	1,000,000	5,786,374	289,319	6,075,692
4	48	0	1,000,000	5,075,692	253,785	5,329,477
5	49	0	1,000,000	4,329,477	216,474	4,545,951
6	50	0	1,000,000	3,545,951	177,298	3,723,248
7	51	0	1,000,000	2,723,248	136,162	2,859,411
8	52	0	1,000,000	1,859,411	92,971	1,952,381
9	53	0	1,000,000	952,381	47,619	1,000,001
10	54	0	1,000,000	1	0	1

8,107,822

10,000,000

1,892,180

\*Column (5) is the source of the values in Column (6) on the page entitled Summary.



# Loan Regime Split-Dollar for a Tax Exempt University Funded With Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Roger DeWitt Thompson

Employer: Major Tax Exempt University

## Summary

Employer's Tax Bracket 0.00%	Executive's Tax Bracket 37.00%	Indexed UL Interest Rate 6.20%	Initial Policy Death Benefit 15,000,000	Assumed Long-Term AFR for All Years Illustrated 2.14%	Promissory Note Interest Rate 2.14%	Years of Premium Reserve Account (PRA) 10
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Yr	Male Age	Employer				Executive						
		(1) Net Payment*	(2) Cumulative Net Payments	(3) Portion of Col. (2) Due as a Loan Receivable	(4) Cumulative Charge to Earnings (2) - (3)	(5) Net Payment*	(6) Year End Balance in the Premium Reserve Account (PRA)	(7) Net Policy Loan Proceeds Available for Retirement Income	(8) Year End Policy Accum Value**	(9) Year End Policy Cash Value**	(10) Year End PRA and Cash Value** Net of Loan Due Employer (9)+(6)-(3)	(11) Year End PRA and Policy Death Benefit Net of Loan Due Employer
1	45	8,172,020	8,172,020	8,107,822	64,198	23,753	7,463,213	0	877,569	242,469	-402,140	15,232,960
2	46	64,198	8,236,218	8,107,822	128,396	23,753	6,786,374	0	1,809,399	1,190,049	-131,399	15,487,951
3	47	64,198	8,300,416	8,107,822	192,594	23,753	6,075,692	0	2,798,846	2,195,246	163,116	15,766,716
4	48	64,198	8,364,614	8,107,822	256,792	23,753	5,329,477	0	3,849,474	3,261,774	483,429	16,071,129
5	49	64,198	8,428,812	8,107,822	320,990	23,753	4,545,951	0	4,965,068	4,393,118	831,247	16,403,197
6	50	64,198	8,493,010	8,107,822	385,188	23,753	3,723,248	0	6,149,647	5,593,597	1,209,023	16,765,073
7	51	64,198	8,557,208	8,107,822	449,386	23,753	2,859,411	0	7,407,479	6,867,179	1,618,768	17,159,068
8	52	64,198	8,621,406	8,107,822	513,584	23,753	1,952,381	0	8,743,095	8,292,945	2,137,504	17,587,654
9	53	64,198	8,685,604	8,107,822	577,782	23,753	1,000,001	0	10,161,308	9,801,158	2,693,337	18,053,487
10	54	64,198	8,749,802	8,107,822	641,980	23,753	1	0	11,709,702	11,439,552	3,331,731	18,601,881
11	55	64,198	8,814,000	8,107,822	706,178	23,753	0	0	12,334,500	12,154,500	4,046,678	19,226,678
12	56	64,198	8,878,198	8,107,822	770,376	23,753	0	0	12,997,956	12,907,956	4,800,134	19,890,134
13	57	64,198	8,942,396	8,107,822	834,574	23,753	0	0	13,702,462	13,702,462	5,594,640	20,594,640
14	58	64,198	9,006,594	8,107,822	898,772	23,753	0	0	14,450,560	14,450,560	6,342,738	21,342,738
15	59	64,198	9,070,792	8,107,822	962,970	23,753	0	0	15,242,665	15,242,665	7,134,843	22,134,843
16	60	64,198	9,134,990	8,107,822	1,027,168	23,753	0	0	16,173,285	16,173,285	8,065,463	12,917,449
17	61	64,198	9,199,188	8,107,822	1,091,366	23,753	0	0	17,160,256	17,160,256	9,052,434	13,857,306
18	62	64,198	9,263,386	8,107,822	1,155,564	23,753	0	0	18,206,899	18,206,899	10,099,077	14,832,870
19	63	64,198	9,327,584	8,107,822	1,219,762	23,753	0	0	19,316,603	19,316,603	11,208,781	15,844,765
20	64	64,198	9,391,782	8,107,822	1,283,960	23,753	0	0	20,493,276	20,493,276	12,385,454	16,893,974
21	65	-8,107,822	1,283,960	0	1,283,960	0	0	600,000	21,681,645	12,538,432	12,538,432	16,874,761
22	66	0	1,283,960	0	1,283,960	0	0	618,000	22,933,748	12,684,475	12,684,475	17,041,887
23	67	0	1,283,960	0	1,283,960	0	0	636,540	24,252,856	12,822,751	12,822,751	17,188,266
24	68	0	1,283,960	0	1,283,960	0	0	655,636	25,642,288	12,952,261	12,952,261	17,311,450
25	69	0	1,283,960	0	1,283,960	0	0	675,305	27,104,746	13,071,146	13,071,146	17,407,905
26	70	0	1,283,960	0	1,283,960	0	0	695,564	28,643,654	13,178,031	13,178,031	17,474,580
27	71	0	1,283,960	0	1,283,960	0	0	716,431	30,267,032	13,275,875	13,275,875	17,210,589
28	72	0	1,283,960	0	1,283,960	0	0	737,924	31,980,399	13,364,864	13,364,864	16,882,708
29	73	0	1,283,960	0	1,283,960	0	0	760,062	33,789,943	13,445,567	13,445,567	16,486,662
30	74	0	1,283,960	0	1,283,960	0	0	782,864	35,702,640	13,519,038	13,519,038	16,018,223
		1,283,960				475,060		6,878,326				

### Executive's 30 Year Summary

	Living Values † Death Benefit	
Indexed Universal Life:	13,519,038	16,018,223
Less Loan Repayment Due Employer:	0	0
Equals Executive's Net Value:	13,519,038	16,018,223
Plus Cumulative After Tax Cash Flow:	6,878,326	6,878,326
Equals Executive's Total Net Value:	20,397,364	22,896,549

†Cash value less employer's loans plus cum. net policy loans.

\*See appropriate Net Payment Analysis for details.

\*\*This illustration assumes the illustrated non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

# Loan Regime Split-Dollar for a Tax Exempt University Funded With Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Roger DeWitt Thompson

Employer: Major Tax Exempt University

## Summary

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Yr	Male Age	Employer				Executive						
		(1) Net Payment*	(2) Cumulative Net Payments	(3) Portion of Col. (2) Due as a Loan Receivable	(4) Cumulative Charge to Earnings (2) - (3)	(5) Net Payment*	(6) Year End Balance in the Premium Reserve Account (PRA)	(7) Net Policy Loan Proceeds Available for Retirement Income	(8) Year End Policy Accum Value**	(9) Year End Policy Cash Value**	(10) Year End PRA and Cash Value** Net of Loan Due Employer (9)+(6)-(3)	(11) Year End PRA and Policy Death Benefit Net of Loan Due Employer
31	75	0	1,283,960	0	1,283,960	0	0	806,350	37,726,401	13,586,951	13,586,951	15,473,272
32	76	0	1,283,960	0	1,283,960	0	0	830,540	39,856,894	13,638,404	13,638,404	15,631,249
33	77	0	1,283,960	0	1,283,960	0	0	855,457	42,099,059	13,671,415	13,671,415	15,776,368
34	78	0	1,283,960	0	1,283,960	0	0	881,120	44,457,921	13,683,719	13,683,719	15,906,615
35	79	0	1,283,960	0	1,283,960	0	0	907,554	46,938,692	13,672,848	13,672,848	16,019,783
36	80	0	1,283,960	0	1,283,960	0	0	934,780	49,546,389	13,635,733	13,635,733	16,113,053
37	81	0	1,283,960	0	1,283,960	0	0	962,824	52,285,357	13,568,204	13,568,204	16,182,472
38	82	0	1,283,960	0	1,283,960	0	0	991,709	55,160,560	13,466,255	13,466,255	16,224,283
39	83	0	1,283,960	0	1,283,960	0	0	1,021,460	58,176,778	13,325,225	13,325,225	16,234,064
40	84	0	1,283,960	0	1,283,960	0	0	1,052,104	61,335,711	13,136,872	13,136,872	16,203,657
41	85	0	1,283,960	0	1,283,960	0	0	1,083,667	64,636,321	12,889,689	12,889,689	16,121,505
42	86	0	1,283,960	0	1,283,960	0	0	1,116,177	68,081,930	12,575,982	12,575,982	15,980,078
43	87	0	1,283,960	0	1,283,960	0	0	1,149,662	71,672,154	12,183,763	12,183,763	15,767,371
44	88	0	1,283,960	0	1,283,960	0	0	1,184,152	75,402,065	11,695,895	11,695,895	15,465,998
45	89	0	1,283,960	0	1,283,960	0	0	1,219,676	79,266,891	11,094,752	11,094,752	15,058,097
46	90	0	1,283,960	0	1,283,960	0	0	1,256,267	83,257,705	10,357,879	10,357,879	14,520,764
47	91	0	1,283,960	0	1,283,960	0	0	1,293,955	87,470,628	9,567,158	9,567,158	13,065,983
48	92	0	1,283,960	0	1,283,960	0	0	1,332,773	91,946,119	8,748,064	8,748,064	11,506,448
49	93	0	1,283,960	0	1,283,960	0	0	1,372,757	96,739,354	7,940,001	7,940,001	9,874,788
50	94	0	1,283,960	0	1,283,960	0	0	1,413,939	101,920,388	7,196,432	7,196,432	8,215,636

1,283,960

475,060

28,545,249

### Executive's 50 Year Summary

Living Values † Death Benefit

Indexed Universal Life:	7,196,432	8,215,636
Less Loan Repayment Due Employer:	0	0
Equals Executive's Net Value:	7,196,432	8,215,636
Plus Cumulative After Tax Cash Flow:	28,545,249	28,545,249
Equals Executive's Total Net Value:	35,741,681	36,760,885

†Cash value less employer's loans plus cum. net policy loans.

\*See appropriate Net Payment Analysis for details.

\*\*This illustration assumes the illustrated non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

# Loan Regime Split-Dollar for a Tax Exempt University Funded With Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Roger DeWitt Thompson

Employer: Major Tax Exempt University

## Executive's Net Payment Analysis

Executive's Tax Bracket 37.00%  
 Assumed Long-Term AFR for All Years Illustrated 2.14%\*  
 Promissory Note Interest Rate 2.14%

Yr	Male Age	(1) Policy Premium Due by Executive	(2) Beginning of Year Loan from Employer for PRA	(3) Withdrawal from the Premium Reserve Account for Premium	(4) Net Policy Loan Proceeds Available for Loan Repayment	(5) Loan Repayment	(6) Cumulative Loan Due Employer	(7) Executive's Split Dollar Imputed Loan Interest	(8) Income Tax on Split Dollar Imputed Loan Interest	(9) After Tax Bonus Received from Employer	(10) Executive's Net Payment (1)-(3)-(4) + (5)+(8)-(9)	(11) Net Policy Loan Proceeds Available for Retirement Income
1	45	1,000,000	8,107,822	1,000,000	0	0	8,107,822	173,507	64,198	40,445	23,753	0
2	46	1,000,000	0	1,000,000	0	0	8,107,822	173,507	64,198	40,445	23,753	0
3	47	1,000,000	0	1,000,000	0	0	8,107,822	173,507	64,198	40,445	23,753	0
4	48	1,000,000	0	1,000,000	0	0	8,107,822	173,507	64,198	40,445	23,753	0
5	49	1,000,000	0	1,000,000	0	0	8,107,822	173,507	64,198	40,445	23,753	0
6	50	1,000,000	0	1,000,000	0	0	8,107,822	173,507	64,198	40,445	23,753	0
7	51	1,000,000	0	1,000,000	0	0	8,107,822	173,507	64,198	40,445	23,753	0
8	52	1,000,000	0	1,000,000	0	0	8,107,822	173,507	64,198	40,445	23,753	0
9	53	1,000,000	0	1,000,000	0	0	8,107,822	173,507	64,198	40,445	23,753	0
10	54	1,000,000	0	1,000,000	0	0	8,107,822	173,507	64,198	40,445	23,753	0
11	55	0	0	0	0	0	8,107,822	173,507	64,198	40,445	23,753	0
12	56	0	0	0	0	0	8,107,822	173,507	64,198	40,445	23,753	0
13	57	0	0	0	0	0	8,107,822	173,507	64,198	40,445	23,753	0
14	58	0	0	0	0	0	8,107,822	173,507	64,198	40,445	23,753	0
15	59	0	0	0	0	0	8,107,822	173,507	64,198	40,445	23,753	0
16	60	0	0	0	0	0	8,107,822	173,507	64,198	40,445	23,753	0
17	61	0	0	0	0	0	8,107,822	173,507	64,198	40,445	23,753	0
18	62	0	0	0	0	0	8,107,822	173,507	64,198	40,445	23,753	0
19	63	0	0	0	0	0	8,107,822	173,507	64,198	40,445	23,753	0
20	64	0	0	0	0	0	8,107,822	173,507	64,198	40,445	23,753	0
21	65	0	0	0	8,107,822	8,107,822	0	0	0	0	0	600,000
22	66	0	0	0	0	0	0	0	0	0	0	618,000
23	67	0	0	0	0	0	0	0	0	0	0	636,540
24	68	0	0	0	0	0	0	0	0	0	0	655,636
25	69	0	0	0	0	0	0	0	0	0	0	675,305
26	70	0	0	0	0	0	0	0	0	0	0	695,564
27	71	0	0	0	0	0	0	0	0	0	0	716,431
28	72	0	0	0	0	0	0	0	0	0	0	737,924
29	73	0	0	0	0	0	0	0	0	0	0	760,062
30	74	0	0	0	0	0	0	0	0	0	0	782,864
		10,000,000	8,107,822	10,000,000	8,107,822	8,107,822		3,470,140	1,283,960	808,900	475,060	6,878,326

\*See Preface for notes regarding loan interest rates.

The promissory note between the employer and the executive is presumed to be secured by a collateral assignment of the policy.

Loan arrangement presumed terminated in year 21; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

# Loan Regime Split-Dollar for a Tax Exempt University Funded With Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Roger DeWitt Thompson

## Executive's Net Payment Analysis

Employer: Major Tax Exempt University

Executive's Tax Bracket 37.00%  
 Assumed Long-Term AFR for All Years Illustrated 2.14%\*  
 Promissory Note Interest Rate 2.14%

Yr	Male Age	(1) Policy Premium Due by Executive	(2) Beginning of Year Loan from Employer for PRA	(3) Withdrawal from the Premium Reserve Account for Premium	(4) Net Policy Loan Proceeds Available for Loan Repayment	(5) Loan Repayment	(6) Cumulative Loan Due Employer	(7) Executive's Split Dollar Imputed Loan Interest	(8) Income Tax on Split Dollar Imputed Loan Interest	(9) After Tax Bonus Received from Employer	(10) Executive's Net Payment (1)-(3)-(4) + (5)+(8)-(9)	(11) Net Policy Loan Proceeds Available for Retirement Income
31	75	0	0	0	0	0	0	0	0	0	0	806,350
32	76	0	0	0	0	0	0	0	0	0	0	830,540
33	77	0	0	0	0	0	0	0	0	0	0	855,457
34	78	0	0	0	0	0	0	0	0	0	0	881,120
35	79	0	0	0	0	0	0	0	0	0	0	907,554
36	80	0	0	0	0	0	0	0	0	0	0	934,780
37	81	0	0	0	0	0	0	0	0	0	0	962,824
38	82	0	0	0	0	0	0	0	0	0	0	991,709
39	83	0	0	0	0	0	0	0	0	0	0	1,021,460
40	84	0	0	0	0	0	0	0	0	0	0	1,052,104
41	85	0	0	0	0	0	0	0	0	0	0	1,083,667
42	86	0	0	0	0	0	0	0	0	0	0	1,116,177
43	87	0	0	0	0	0	0	0	0	0	0	1,149,662
44	88	0	0	0	0	0	0	0	0	0	0	1,184,152
45	89	0	0	0	0	0	0	0	0	0	0	1,219,676
46	90	0	0	0	0	0	0	0	0	0	0	1,256,267
47	91	0	0	0	0	0	0	0	0	0	0	1,293,955
48	92	0	0	0	0	0	0	0	0	0	0	1,332,773
49	93	0	0	0	0	0	0	0	0	0	0	1,372,757
50	94	0	0	0	0	0	0	0	0	0	0	1,413,939
		10,000,000	8,107,822	10,000,000	8,107,822	8,107,822		3,470,140	1,283,960	808,900	475,060	28,545,249

\*See Preface for notes regarding loan interest rates.

The promissory note between the employer and the executive is presumed to be secured by a collateral assignment of the policy.

Loan arrangement presumed terminated in year 21; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

# Loan Regime Split-Dollar for a Tax Exempt University Funded With Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Roger DeWitt Thompson

## Employer's Net Payment Analysis

Employer: Major Tax Exempt University

Employer's Tax Bracket 0.00%  
 Assumed Long-Term AFR for All Years Illustrated 2.14%\*  
 Promissory Note Interest Rate 2.14%

Yr	Male Age	(1) Beginning of Year Loan to Executive	(2) Loan Repayment from Executive	(3) Cumulative Loan to Executive	(4) Employer's Deemed Loan Interest Income	(5) Employer's Deemed Loan Interest Expense	(6) Bonus Paid to Executive	(7) After Tax Cost of Bonus Paid to Executive	(8) Employer's Net Payment (1)-(2)+(4)-(5)+(7)	(9) Employer's Annual Charge to Earnings (8)-(1)+(2)	(10) Employer's Cumulative Charge to Earnings
1	45	8,107,822	0	8,107,822	173,507	173,507	64,198	64,198	8,172,020	64,198	64,198
2	46	0	0	8,107,822	173,507	173,507	64,198	64,198	64,198	64,198	128,396
3	47	0	0	8,107,822	173,507	173,507	64,198	64,198	64,198	64,198	192,594
4	48	0	0	8,107,822	173,507	173,507	64,198	64,198	64,198	64,198	256,792
5	49	0	0	8,107,822	173,507	173,507	64,198	64,198	64,198	64,198	320,990
6	50	0	0	8,107,822	173,507	173,507	64,198	64,198	64,198	64,198	385,188
7	51	0	0	8,107,822	173,507	173,507	64,198	64,198	64,198	64,198	449,386
8	52	0	0	8,107,822	173,507	173,507	64,198	64,198	64,198	64,198	513,584
9	53	0	0	8,107,822	173,507	173,507	64,198	64,198	64,198	64,198	577,782
10	54	0	0	8,107,822	173,507	173,507	64,198	64,198	64,198	64,198	641,980
11	55	0	0	8,107,822	173,507	173,507	64,198	64,198	64,198	64,198	706,178
12	56	0	0	8,107,822	173,507	173,507	64,198	64,198	64,198	64,198	770,376
13	57	0	0	8,107,822	173,507	173,507	64,198	64,198	64,198	64,198	834,574
14	58	0	0	8,107,822	173,507	173,507	64,198	64,198	64,198	64,198	898,772
15	59	0	0	8,107,822	173,507	173,507	64,198	64,198	64,198	64,198	962,970
16	60	0	0	8,107,822	173,507	173,507	64,198	64,198	64,198	64,198	1,027,168
17	61	0	0	8,107,822	173,507	173,507	64,198	64,198	64,198	64,198	1,091,366
18	62	0	0	8,107,822	173,507	173,507	64,198	64,198	64,198	64,198	1,155,564
19	63	0	0	8,107,822	173,507	173,507	64,198	64,198	64,198	64,198	1,219,762
20	64	0	0	8,107,822	173,507	173,507	64,198	64,198	64,198	64,198	1,283,960
21	65	0	8,107,822	0	0	0	0	0	-8,107,822	0	1,283,960
22	66	0	0	0	0	0	0	0	0	0	1,283,960
23	67	0	0	0	0	0	0	0	0	0	1,283,960
24	68	0	0	0	0	0	0	0	0	0	1,283,960
25	69	0	0	0	0	0	0	0	0	0	1,283,960
26	70	0	0	0	0	0	0	0	0	0	1,283,960
27	71	0	0	0	0	0	0	0	0	0	1,283,960
28	72	0	0	0	0	0	0	0	0	0	1,283,960
29	73	0	0	0	0	0	0	0	0	0	1,283,960
30	74	0	0	0	0	0	0	0	0	0	1,283,960
		8,107,822	8,107,822		3,470,140	3,470,140	1,283,960	1,283,960	1,283,960	1,283,960	

\*See Preface for notes regarding loan interest rates.

The promissory note between the employer and the executive is presumed to be secured by a collateral assignment of the policy.

Loan arrangement presumed terminated in year 21; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

# Loan Regime Split-Dollar for a Tax Exempt University Funded With Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Roger DeWitt Thompson

## Employer's Net Payment Analysis

Employer: Major Tax Exempt University

Employer's Tax Bracket 0.00%  
 Assumed Long-Term AFR for All Years Illustrated 2.14%\*  
 Promissory Note Interest Rate 2.14%

Yr	Male Age	(1) Beginning of Year Loan to Executive	(2) Loan Repayment from Executive	(3) Cumulative Loan to Executive	(4) Employer's Deemed Loan Interest Income	(5) Employer's Deemed Loan Interest Expense	(6) Bonus Paid to Executive	(7) After Tax Cost of Bonus Paid to Executive	(8) Employer's Net Payment (1)-(2)+(4)-(5)+(7)	(9) Employer's Annual Charge to Earnings (8)-(1)+(2)	(10) Employer's Cumulative Charge to Earnings
31	75	0	0	0	0	0	0	0	0	0	1,283,960
32	76	0	0	0	0	0	0	0	0	0	1,283,960
33	77	0	0	0	0	0	0	0	0	0	1,283,960
34	78	0	0	0	0	0	0	0	0	0	1,283,960
35	79	0	0	0	0	0	0	0	0	0	1,283,960
36	80	0	0	0	0	0	0	0	0	0	1,283,960
37	81	0	0	0	0	0	0	0	0	0	1,283,960
38	82	0	0	0	0	0	0	0	0	0	1,283,960
39	83	0	0	0	0	0	0	0	0	0	1,283,960
40	84	0	0	0	0	0	0	0	0	0	1,283,960
41	85	0	0	0	0	0	0	0	0	0	1,283,960
42	86	0	0	0	0	0	0	0	0	0	1,283,960
43	87	0	0	0	0	0	0	0	0	0	1,283,960
44	88	0	0	0	0	0	0	0	0	0	1,283,960
45	89	0	0	0	0	0	0	0	0	0	1,283,960
46	90	0	0	0	0	0	0	0	0	0	1,283,960
47	91	0	0	0	0	0	0	0	0	0	1,283,960
48	92	0	0	0	0	0	0	0	0	0	1,283,960
49	93	0	0	0	0	0	0	0	0	0	1,283,960
50	94	0	0	0	0	0	0	0	0	0	1,283,960
		8,107,822	8,107,822		3,470,140	3,470,140	1,283,960	1,283,960	1,283,960	1,283,960	

\*See Preface for notes regarding loan interest rates.

The promissory note between the employer and the executive is presumed to be secured by a collateral assignment of the policy.

Loan arrangement presumed terminated in year 21; however, the employer's loans must be repaid no later than the date specified in the plan documentation.



# Loan Regime Split-Dollar for a Tax Exempt University Funded With Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Roger DeWitt Thompson

Employer: Major Tax Exempt University

## Promissory Note Analysis

Assumed Long-Term AFR  
for All Years Illustrated  
2.14%\*\*

Promissory Note  
Interest Rate  
2.14%

Years of Premium  
Reserve Account (PRA)  
10

Yr	Male Age	(1) Beginning of Year Loan to Executive	(2) Annual Loan Interest Paid from Non-Policy Values	(3) Annual Loan Interest Paid from Policy Values	(4) Loan Repayments from Non-Policy Values	(5) Loan Repayments from Policy Values	(6) Year End Cumulative Loan to Executive	(7) Year End Balance in the Premium Reserve Account (PRA)	(8) Year End PRA and Policy Accum Value* Net of Loan	(9) Year End PRA and Policy Cash Value* Net of Loan	(10) Year End PRA and Policy Death Benefit* Net of Loan
1	45	8,107,822	0	0	0	0	8,107,822	7,463,213	232,960	-402,140	15,232,960
2	46	0	0	0	0	0	8,107,822	6,786,374	487,951	-131,399	15,487,951
3	47	0	0	0	0	0	8,107,822	6,075,692	766,716	163,116	15,766,716
4	48	0	0	0	0	0	8,107,822	5,329,477	1,071,129	483,429	16,071,129
5	49	0	0	0	0	0	8,107,822	4,545,951	1,403,197	831,247	16,403,197
6	50	0	0	0	0	0	8,107,822	3,723,248	1,765,073	1,209,023	16,765,073
7	51	0	0	0	0	0	8,107,822	2,859,411	2,159,068	1,618,768	17,159,068
8	52	0	0	0	0	0	8,107,822	1,952,381	2,587,654	2,137,504	17,587,654
9	53	0	0	0	0	0	8,107,822	1,000,001	3,053,487	2,693,337	18,053,487
10	54	0	0	0	0	0	8,107,822	1	3,601,881	3,331,731	18,601,881
11	55	0	0	0	0	0	8,107,822	0	4,226,678	4,046,678	19,226,678
12	56	0	0	0	0	0	8,107,822	0	4,890,134	4,800,134	19,890,134
13	57	0	0	0	0	0	8,107,822	0	5,594,640	5,594,640	20,594,640
14	58	0	0	0	0	0	8,107,822	0	6,342,738	6,342,738	21,342,738
15	59	0	0	0	0	0	8,107,822	0	7,134,843	7,134,843	22,134,843
16	60	0	0	0	0	0	8,107,822	0	8,065,463	8,065,463	12,917,449
17	61	0	0	0	0	0	8,107,822	0	9,052,434	9,052,434	13,857,306
18	62	0	0	0	0	0	8,107,822	0	10,099,077	10,099,077	14,832,870
19	63	0	0	0	0	0	8,107,822	0	11,208,781	11,208,781	15,844,765
20	64	0	0	0	0	0	8,107,822	0	12,385,454	12,385,454	16,893,974
21	65	0	0	0	0	8,107,822	0	0	21,681,645	12,538,432	16,874,761
22	66	0	0	0	0	0	0	0	22,933,748	12,684,475	17,041,887
23	67	0	0	0	0	0	0	0	24,252,856	12,822,751	17,188,266
24	68	0	0	0	0	0	0	0	25,642,288	12,952,261	17,311,450
25	69	0	0	0	0	0	0	0	27,104,746	13,071,146	17,407,905
26	70	0	0	0	0	0	0	0	28,643,654	13,178,031	17,474,580
27	71	0	0	0	0	0	0	0	30,267,032	13,275,875	17,210,589
28	72	0	0	0	0	0	0	0	31,980,399	13,364,864	16,882,708
29	73	0	0	0	0	0	0	0	33,789,943	13,445,567	16,486,662
30	74	0	0	0	0	0	0	0	35,702,640	13,519,038	16,018,223
		8,107,822	0	0	0	8,107,822					

\*This illustration assumes the illustrated non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

\*\*See Preface for notes regarding loan interest rates.

Loan arrangement presumed terminated in year 21; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

# Loan Regime Split-Dollar for a Tax Exempt University Funded With Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Roger DeWitt Thompson

## Promissory Note Analysis

Employer: Major Tax Exempt University

Assumed Long-Term AFR for All Years Illustrated 2.14%\*\*  
 Promissory Note Interest Rate 2.14%  
 Years of Premium Reserve Account (PRA) 10

Yr	Male Age	(1) Beginning of Year Loan to Executive	(2) Annual Loan Interest Paid from Non-Policy Values	(3) Annual Loan Interest Paid from Policy Values	(4) Loan Repayments from Non-Policy Values	(5) Loan Repayments from Policy Values	(6) Year End Cumulative Loan to Executive	(7) Year End Balance in the Premium Reserve Account (PRA)	(8) Year End PRA and Policy Accum Value* Net of Loan	(9) Year End PRA and Policy Cash Value* Net of Loan	(10) Year End PRA and Policy Death Benefit* Net of Loan
31	75	0	0	0	0	0	0	0	37,726,401	13,586,951	15,473,272
32	76	0	0	0	0	0	0	0	39,856,894	13,638,404	15,631,249
33	77	0	0	0	0	0	0	0	42,099,059	13,671,415	15,776,368
34	78	0	0	0	0	0	0	0	44,457,921	13,683,719	15,906,615
35	79	0	0	0	0	0	0	0	46,938,692	13,672,848	16,019,783
36	80	0	0	0	0	0	0	0	49,546,389	13,635,733	16,113,053
37	81	0	0	0	0	0	0	0	52,285,357	13,568,204	16,182,472
38	82	0	0	0	0	0	0	0	55,160,560	13,466,255	16,224,283
39	83	0	0	0	0	0	0	0	58,176,778	13,325,225	16,234,064
40	84	0	0	0	0	0	0	0	61,335,711	13,136,872	16,203,657
41	85	0	0	0	0	0	0	0	64,636,321	12,889,689	16,121,505
42	86	0	0	0	0	0	0	0	68,081,930	12,575,982	15,980,078
43	87	0	0	0	0	0	0	0	71,672,154	12,183,763	15,767,371
44	88	0	0	0	0	0	0	0	75,402,065	11,695,895	15,465,998
45	89	0	0	0	0	0	0	0	79,266,891	11,094,752	15,058,097
46	90	0	0	0	0	0	0	0	83,257,705	10,357,879	14,520,764
47	91	0	0	0	0	0	0	0	87,470,628	9,567,158	13,065,983
48	92	0	0	0	0	0	0	0	91,946,119	8,748,064	11,506,448
49	93	0	0	0	0	0	0	0	96,739,354	7,940,001	9,874,788
50	94	0	0	0	0	0	0	0	101,920,388	7,196,432	8,215,636
		8,107,822	0	0	0	0	8,107,822				

\*This illustration assumes the illustrated non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

\*\*See Preface for notes regarding loan interest rates.

Loan arrangement presumed terminated in year 21; however, the employer's loans must be repaid no later than the date specified in the plan documentation.

Supplemental Report

Major Tax Exempt University

**Important Note**

This material is for educational purposes only. In all cases, the approval of a client's legal and tax advisers must be secured regarding the implementation or modification of any planning technique as well as the applicability and consequences of new cases, rulings, or legislation upon existing or impending plans.