

# HAVE YOU PROTECTED LIFE'S PLAN?

Policy Review is a consumer-driven process focused on evaluating the performance of your policy while maintaining compliance under the guidance of current tax laws.

Are you aware that life insurance death benefits paid to an employer may be subject to income tax?

The general rule limits the amount of death benefits payable under employer-owned life insurance contracts (that may be received by a company on a tax-free basis) to the sum of the premiums and other amounts paid by the company.

## NOTICE 2009-48 TREATMENT OF CERTAIN EMPLOYER-OWNED LIFE INSURANCE CONTRACTS

Notice 2009-48 provides guidance regarding the application of Sections 101(j) and 6039I to employer-owned life insurance contracts, including guidance addressing the definition of a life insurance contract, exceptions to the general rule limiting the amount of death benefits that may be excluded from the policyholder's gross income, the satisfaction of the notice and consent requirements, and the report requirements.

Federal income taxation may be avoided only when the employer complies with certain IRS rules.

## A BENEFIT WE OFFER AT NO COST

Life insurance proceeds paid to an employer are generally considered taxable unless certain requirements are met.

The Policy Review provides the analysis you need to make informed decisions on this very important financial instrument – the life insurance policy in your care.

### TALK TO YOUR FINANCIAL ADVISOR ABOUT A FREE POLICY REVIEW.

Policy Review outlines the processes that protect death benefits from unnecessary taxation with an eye towards maximizing contract value.

## STEP 1: EXCEPTIONS

There is a limitation on the amount of death benefit received by a company on a tax-free basis from an employer-owned contract.

## STEP 2: NOTICE AND CONSENT REQUIREMENTS

Employee must be notified in writing that the company intends to insure the employee's life. The company must inform the employee in writing that the company or a related person will be the beneficiary of any proceeds payable upon the death of the employee. The employee must consent in writing to specific guidelines prior to issuance of the policy.

## STEP 3: ANNUAL REPORTING REQUIREMENTS

Under Section 101(j), employers are required to submit IRS Form 8925 with the company's tax return for each year that it owns one or more policies.