

The Most Cost Effective Tool for Funding Benefits For Your Key People



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Why Capital Split Dollar?

EFFICIENT – Lowest cost/benefit ratio

EFFICIENT – Minimize government regulations and scrutiny

ETHICAL – It is a “safe harbor” plan with an opinion letter from a large, respected law firm

BMI Consulting designs and implements Executive Compensation Plans, Business Succession Strategies, Exit Strategies for Owners, Estate Planning, and Corporate and Personal Tax Planning.

Formed in 1995 by Guy Baker and Stan Mountford, BMI uses a consulting process to determine vision, objectives, alternatives and choice. Once the plan is formulated, BMI is actively involved in the implementation and ongoing management of the plan.

For more information, visit the BMI website: www.bmiconsulting.com



Capital Split Dollar

A Tax Favored Benefit Plan



BMI CONSULTING

Your Master Plan

What is Capital Split Dollar?

Capital Split Dollar (CSD) is a “safe harbor,” tax deductible plan for funding retirement benefits, buyouts and estate liquidity. It allows for unlimited tax deductible contributions, tax-free build-up and tax-free withdrawals. Currently, we know of no other plan which offers all three tax advantages, i.e. deductible contributions, tax-free build-up and tax-free distributions.

How Can This Plan Be Used?

1. Tax Deductible Deferred Compensation –

This is the holy grail of executive compensation. Pick and choose participants, tax deductible contributions, tax free benefits and creditor protection. Use CSD to attract and retain top management.

2. Funding Buy Sell Agreements –

Capital Split Dollar can fund the living or death buyout of a shareholder with tax deductible dollars. This can change a non-deductible buyout to a tax deductible source of capital.

3. Pay Taxes in an Irrevocable Trust–

Capital Split Dollar can be used to fund life insurance to pay estate taxes with deductible interest. If the life insurance policy is owned by an ILIT there is no income or estate taxes on the death benefits! This method reduces estate taxes to pennies on the dollar.

Provides Superior Benefits

Benefits For The Employee:

1. Tax-free death benefits*
2. Tax-free cash value build-up*
3. Benefits are distributed via loans which are not subject to tax*
4. A small portion of contributions are subject to income tax
5. Capital Split Dollar is a “safe harbor” plan under IRS Reg. §1.264(d)(1)
6. Financial planning benefits
 - a. Retirement Income
 - b. Buy Sell Agreements
 - c. Estate Liquidity

Benefits For The Corporation (Employer):

1. 100% tax deductible*
2. No impact on working capital or retained earnings
3. Can select plan participants (including the owner)
4. Attract and retain key employees
5. Interest only loan—favorable low interest rates
6. Loan is repaid with cash values from the policy (not from retained earnings)

Who Can Participate in the Plan?

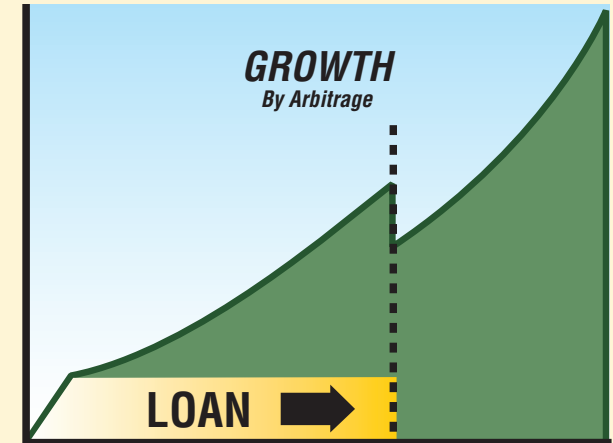
Selected Employees of a:

1. “C” Corporation
2. “S” Corporation
3. Partnership
4. LLC
5. LLP

* Based on Current Law

How Your Value Grows

The corporation (employer) borrows funds to lend to the employee to buy a high cash value life insurance policy. The plan costs are tax deductible and provide non-taxable benefits to the employee which are creditor proof.*



Steps To Implementation

1. Assessment – Plan design
2. Qualify for loan – Tax returns and financial statements
3. Letter of intent – Issued by lender
4. Qualify for insurance – Physical and financial underwriting
5. Sign documents – Issued by the lender
6. Fund the plan – Lender loans money to corporation

These six steps are required to successfully implement a CSD plan. BMI Consulting assists the client in every step of the process.