

# What are your roadblocks to financial freedom?



At CES, we offer a full suite of services and platforms, including cash value corporate-owned life insurance, with the objective of creating custom-designed income strategies to potentially help our clients enhance their accumulation and distribution of supplemental retirement funds in a tax-advantaged manner.



## Personal planning

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Are you frustrated with the limits on your qualified plan contributions?

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Are you accumulating sufficient capital to ensure your financial independence?

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How much of your net worth is creditor-protected?

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Would tax-free retirement income be attractive to you?



## Wealth management

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How important is reducing income tax liabilities driven by your investment portfolio?

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Are you interested in hedging strategies to help reduce risks in your investment portfolio?

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How important is tax-advantaged liquidity within your investment portfolio?

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Have you protected your investment portfolio against untimely death?



## Business continuity

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Are your key people integral to your business succession plan?

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How do you plan to monetize and personally realize the value in your business?

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Do you have a funded business transition plan?

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How important is it to your business to have contingency capital for opportunities and obstacles?



## Key person benefits

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How important are your key people to your business success?

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Have you implemented any plans designed to attract, reward and retain your best people?

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Would you be interested in plans that only involve your key people?

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Would your highest-paid employees like to defer more of their income on a pretax basis?

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# Equitable's Retention Continuum

## Executive/bonus funding

## Employer funding/awards

## Executive/employer informal funding/awards

### Life Income Plan<sup>SM</sup>

#### Features

- Individual ownership
- Institutional product
- Accumulation focused design
- High early cash surrender values<sup>1</sup>
- No direct surrender charges<sup>1</sup>
- Post-tax funding
- Custom client service portal

#### Strategies

- Utilizing IRC 7702 providing those looking for tax free access strategies with many of the same advantages as a Roth IRA<sup>2</sup> plus additional benefits
- Tax-free future income distribution planning

### Section 162 Bonus Plan

#### Features

- Individual ownership
- Accumulation focused design
- Employer taxable contributions
- Additional employee contributions post-tax
- Design may include restricted access or claw-back provisions for employee contributions
- Custom client service portal

#### Strategies

- Retention planning with current deduction
- Enhancing future income planning
- Employer/employee funding options
- Employer selects participants and funding levels

### Split Dollar

#### Features

- Individual or corporate ownership
- Taxed under economic benefit or loan interest (AFR)
- Tax may be paid, bonused, or in some cases accrued
- Loan on rollout proceeds, may be paid from policy cash surrender values or under corporate forgiveness

#### Strategies

- Retention planning without loss of asset on company balance sheet
- Mitigate taxation to employee for premium expense

#### Types

- Collateral Assignment
- Endorsement
- Loan Regime

### Select Employee Retention Plans (SERP)

#### Features

- Employer awards or contributions based on a formula with annual discretion
- Provides incentives for key employee performance
- Vesting schedule allows a company to achieve retention/reward goals
- Provides a meaningful income supplement above the Qualified Plan limits
- Provides for in-service distributions
- Deductible and taxable upon distribution
- Custom plan sponsor and participant service portals

#### Strategies

- Retention plan for highly compensated key employees
- Retention agreements may be custom to select individuals
- Discretionary selection and award plan designs
- Typing individual and corporate goals and objectives

### Deferred Compensation Plan

#### Features

- Permits select key people the ability to defer compensation pre-tax, usually as a supplement to a 401(k)
- Employer has an option to make vested discretionary contributions on matching funds
- Provide the option for select key employees to potentially significantly increase retirement income
- Deductible and taxable upon distribution
- Plan document
- Annual election requirement
- Custom plan sponsor and participant service portals

#### Strategies

- Additional income deferral
- 401(k) spillover plan designs to capture lost corporate 401(k) matching
- Future distribution planning both in-service and retirement/separation of service

<sup>1</sup> Life Income Plan - LIP<sup>SM</sup> uses cash value corporate owned variable universal life insurance that tends to offer significant cash values in the early policy years because of its general lack of surrender charges and because in the event of a full policy surrender within a certain number of years, some policy charges may be refunded. These policies often include a minimum guideline death benefit and are structured to minimize death benefit expense yet retain the integrity of life insurance and the tax-deferral benefits.

<sup>2</sup> While there are similarities between a Roth IRA and cash value life insurance, there are also differences. A Roth IRA is an IRS plan designed to facilitate retirement savings. Cash value life insurance is a contract that builds value and provides a death benefit backed by the claims-paying abilities of the issuing life insurance company. Carefully review all the features, benefits, and costs of a cash value life insurance policy. If a life insurance policy lapses, the client will lose the death benefit and may lose substantial money in the early years. To be effective, clients need to hold the policy until death. A life insurance policy generally takes years to build up a substantial cash value. Tax-free distributions will reduce the cash value and face amount of the policy and clients may need to pay higher premiums in the later years to keep the policy from lapsing. Clients must qualify medically and financially for life insurance, unlike a Roth IRA.