



Retirement Planning

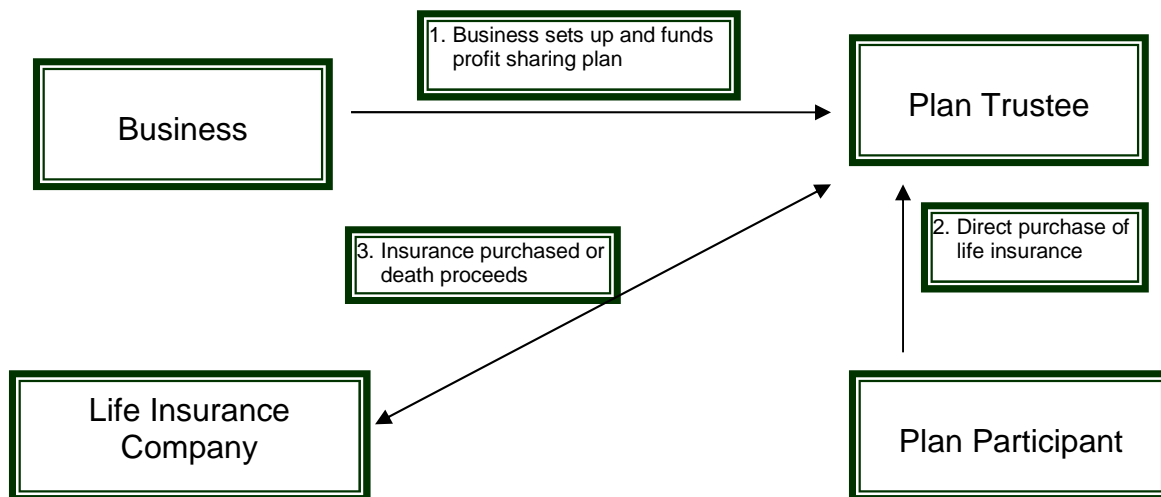
Using Your Profit Sharing Plan to Meet Life Insurance Needs

Some business owners with profit sharing plans or key executives participating in profit sharing plans may find themselves in situations where they need more life insurance to protect their family or for other needs. Others may be more focused on protecting their families in the event of a premature death, rather than on their own retirement. They, however, do not have sufficient cash flow or other sources of funds to purchase it. As a result, they run the risk of placing their families in financial distress in the event of their death.

One Solution: Life Insurance Opportunities in Profit Sharing Plans

While the primary purpose of profit sharing plans and other qualified retirement plans are to provide retirement benefits, looking to the profit sharing or qualified plan may be the solution. The plan may provide for the payment of “incidental” death benefits. Government regulations provide that life insurance may be purchased in a qualified plan so long as the death benefits are incidental. Life insurance coverage in a profit sharing plan is considered incidental if less than 50% of the company’s contributions to the plan are used to purchase whole life insurance on the participant, or no more than 25% to purchase term insurance or universal life insurance.

How Does It Work?





Retirement Planning

1. Ensure the profit sharing plan permits investment in life insurance and, if not, amend it to do so.
 2. Participant directs plan trustee to apply for and pay the premium for life insurance.
 3. Trustee applies for the insurance on behalf of the participant to be owned by, and payable to, the plan, as beneficiary.
- previously taxed to the participant or paid with nondeductible employee contributions, is also received income tax-free.
 - If the participant dies before retirement, the life insurance policy will provide all, or substantially all, the monies that would have been available at retirement.
 - Reduces impact on cash flow.

Advantages

- Fills gaps in personal insurance needs.
- Fills gaps from other employee benefit programs.
- When the participant wants a guaranteed return on investment rather than market risks associated with mutual funds and other market related securities.
- Pays life insurance premiums with "pre-tax" dollars that are or have been deductible to the employer, through the profit sharing plan.
- For plan participants who would otherwise be uninsurable or insurable at a higher than standard risk, policies may be guaranteed issue depending upon the plan.
- Life insurance proceeds pass to the beneficiary income tax-free to the extent they exceed cash values. Cost of the economic benefit of the insurance,

Disadvantages

- Stock, bonds and mutual funds may provide greater investment growth compared to internal rates of return on the insurance policy.
- Policy expenses and commissions may be greater than for comparable investment alternatives.
- The portion of the death benefit attributable to the cash value in the policy is taxable income, reduced by the economic benefit costs reported to the employee annually.
- There may be income tax consequences if there is a lifetime removal of the policy from the qualified plan.
- Death benefits from the policy are includible in the insured's estate.
- For estate tax planning purposes, life insurance owned outside a qualified plan may be more effective.

Please consult with your Guardian Financial Representative if you have any questions concerning this document.

Lanny D. Levin, CLU, ChFC

LANNY D. LEVIN AGENCY, Inc.

1751 Lake Cook Road suite 350

Deerfield, IL 60015

(847) 597-2444

lanny_levin@levinagency.com

The foregoing information regarding estate, charitable and/or business planning techniques is not intended to be tax, legal or investment advice and is provided for general educational purposes only. Neither Guardian, nor its subsidiaries, agents or employees provide tax or legal advice. You should consult with your tax and legal advisor regarding your individual situation.

GEAR # 2011-9249

Expiration: 12/31/2015

GUARDIAN® and the GUARDIAN G® Logo are registered service marks of The Guardian Life Insurance Company of America and are used with express permission.

