

## Preface

The primary benefits of financing the income tax on an Executive Bonus Plan are: 1) provide a significant amount of life insurance coverage for an important executive at little or no out-of-pocket cost and 2) allow the employer to provide the benefit without having to gross-up the bonus in order to eliminate the executive's out-of-pocket cost. Virtually any cash value life insurance policy can be funded in this manner.

The loan structure, loan interest, fees, collateral requirements, and personal guarantees associated with this technique will be determined by the lender.

A secondary benefit of an income tax financing strategy is the opportunity for interest rate arbitrage because the loan interest associated with income tax financing may be lower than the policy's non-guaranteed internal rate of return.

There are several risks associated with income tax financing, some of which are outlined below:

### Lender risk:

- Is the loan a term loan that is due in fewer years than illustrated? If so, the borrower will likely be subject to new loan conditions.
- If the loan is not a term loan, does the lender have the right to demand full satisfaction of the loan at any time? An unlimited right to demand full satisfaction of the loan provides very little security for the borrower.

### Collateral risk:

- The lender may limit the form of acceptable collateral requiring only liquid assets be provided.
- Additional collateral may be required based on a change in the loan requirements of the lender.
- The policy cash values shown on pages that follow are not guaranteed and may be higher or lower than illustrated. Additional collateral may be required if the actual policy cash values turn out to be lower than illustrated.
- A personal guarantee may be required.

### Interest rate risk:

- In some premium financing transactions, the loan interest is a variable rate which resets annually.
- If the loan interest is a fixed rate, how long is it fixed? Is this an acceptable condition?

### Exit strategies:

1. With long-lived insureds, repayment of loans associated with premium financing must be considered, and careful planning should be contemplated in advance to insure a source of funds for this purpose. In some cases, the policy death benefit may be sufficient.
2. In some cases, the sale of the policy to a third party may provide funds to repay outstanding loans.

### Conclusion:

Based on creditworthiness of the borrower, the terms of the lender, and the life insurance company involved, the actual terms of a premium financing arrangement will be different. It is important that the right combination of these three issues be carefully evaluated.

### Important note:

In all cases, be sure to consult with your own legal and tax advisers before entering into this or any other arrangement involving tax, legal, and economic considerations. The approval of these 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.

# Financing the Income Tax on an Executive Bonus Plan Using Indexed Universal Life

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

Insured Executive: Alex Demas

## Illustration of Policy Values Funding the Plan

Bonus for premiums funded by: Hawthorne Construction, Inc.  
Borrower and Policy Owner: Alex Demas

		Executive's Income Tax Bracket 40.00%	Indexed UL Interest Rate 7.00%	Initial Premium 100,000	Initial Policy Death Benefit 2,875,000	
Year	Age	(1) Policy Premium	(2) Net Policy Loan Proceeds	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Year End Death Benefit
1	40	100,000	0	84,209	84,209	2,875,000
2	41	100,000	0	174,150	174,150	2,875,000
3	42	100,000	0	270,190	270,190	2,875,000
4	43	100,000	0	372,731	372,731	2,875,000
5	44	100,000	0	482,230	482,230	2,875,000
6	45	0	0	497,889	497,889	2,875,000
7	46	0	0	514,878	514,878	2,875,000
8	47	0	0	533,393	533,393	2,875,000
9	48	0	0	553,614	553,614	2,875,000
10	49	0	0	575,652	575,652	2,875,000
11	50	0	287,922	607,853	305,472	2,572,408
12	51	0	0	644,108	326,608	2,557,289
13	52	0	0	684,763	351,388	2,541,414
14	53	0	0	730,174	380,130	2,524,745
15	54	0	0	780,748	413,202	2,507,243
16	55	0	0	836,867	450,944	2,488,866
17	56	0	0	899,063	493,843	2,469,569
18	57	0	0	967,874	542,394	2,449,308
19	58	0	0	1,043,891	597,136	2,428,034
20	59	0	0	1,127,756	658,664	2,405,697
21	60	0	0	1,220,129	727,582	2,382,242
22	61	0	0	1,321,725	804,551	2,357,615
23	62	0	0	1,433,295	890,262	2,331,756
24	63	0	0	1,555,695	985,510	2,304,604
25	64	0	0	1,689,868	1,091,174	2,276,095
26	65	0	147,462	1,836,772	1,053,309	2,091,326
27	66	0	150,152	1,997,647	1,017,351	1,894,493
28	67	0	152,923	2,173,866	983,986	1,684,909
29	68	0	155,778	2,366,984	954,044	1,461,848
30	69	0	158,718	2,578,783	928,542	1,341,147
		500,000	1,052,955			

\*This illustration shows actual results over the years illustrated. The values shown are not valid unless accompanied by a reproposal illustration from the issuing life insurance company.

# Financing the Income Tax on an Executive Bonus Plan Using Indexed Universal Life

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

Insured Executive: Alex Demas

## Illustration of Policy Values Funding the Plan

Bonus for premiums funded by: Hawthorne Construction, Inc.  
Borrower and Policy Owner: Alex Demas

		Executive's Income Tax Bracket 40.00%	Indexed UL Interest Rate 7.00%	Initial Premium 100,000	Initial Policy Death Benefit 2,875,000	
Year	Age	(1) Policy Premium	(2) Net Policy Loan Proceeds	(3) Year End Accum Value*	(4) Year End Cash Value*	(5) Year End Death Benefit
31	70	0	161,746	2,771,702	869,115	1,284,870
32	71	0	161,746	2,979,170	811,621	1,198,913
33	72	0	161,746	3,202,404	756,644	1,108,908
34	73	0	161,746	3,442,728	704,847	1,014,692
35	74	0	161,746	3,701,624	657,016	916,129
36	75	0	161,746	3,980,761	614,089	813,127
37	76	0	161,746	4,280,602	575,763	789,793
38	77	0	161,746	4,602,616	542,701	772,832
39	78	0	161,746	4,948,359	515,616	763,034
40	79	0	161,746	5,319,496	495,282	761,257
41	80	0	161,746	5,717,725	482,467	768,354
42	81	0	161,746	6,144,804	477,950	785,190
43	82	0	161,746	6,602,626	482,596	812,728
44	83	0	161,746	7,093,187	497,323	851,982
45	84	0	161,746	7,618,460	522,970	903,893
46	85	0	161,746	8,180,348	560,249	969,267
47	86	0	161,746	8,780,860	609,923	1,048,966
48	87	0	161,746	9,421,902	672,585	1,143,680
49	88	0	161,746	10,105,206	748,590	1,253,850
50	89	0	161,746	10,832,390	838,110	1,379,730
51	90	0	161,746	11,604,820	940,992	1,521,233
52	91	0	161,746	12,436,744	1,069,893	1,567,362
53	92	0	161,746	13,336,472	1,231,444	1,631,538
54	93	0	161,746	14,314,401	1,434,288	1,720,576
55	94	0	161,746	15,382,720	1,688,769	1,842,596
		500,000	5,096,605			

\*This illustration shows actual results over the years illustrated. The values shown are not valid unless accompanied by a reproposal illustration from the issuing life insurance company.

# Financing the Income Tax on an Executive Bonus Plan Using Indexed Universal Life

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

Insured Executive: Alex Demas

## Analysis of the Executive Bonus

Bonus for premiums funded by: Hawthorne Construction, Inc.  
Borrower and Policy Owner: Alex Demas

Year	Age	Employer's Tax Bracket 35.00%		Executive's Income Tax Bracket 40.00%			
		Employer		Executive			
		(1) Bonus to Executive	(2) Employer's After Tax Cost of Bonus	(3) Policy Premium	(4) Bonus Received from Employer	(5) Income Tax on Column (4)	(6) Executive's Net Payment (Funded by Bank Loan)
1	40	100,000	65,000	100,000	100,000	40,000	40,000
2	41	100,000	65,000	100,000	100,000	40,000	40,000
3	42	100,000	65,000	100,000	100,000	40,000	40,000
4	43	100,000	65,000	100,000	100,000	40,000	40,000
5	44	100,000	65,000	100,000	100,000	40,000	40,000
6	45	0	0	0	0	0	0
7	46	0	0	0	0	0	0
8	47	0	0	0	0	0	0
9	48	0	0	0	0	0	0
10	49	0	0	0	0	0	0
11	50	0	0	0	0	0	0
12	51	0	0	0	0	0	0
13	52	0	0	0	0	0	0
14	53	0	0	0	0	0	0
15	54	0	0	0	0	0	0
16	55	0	0	0	0	0	0
17	56	0	0	0	0	0	0
18	57	0	0	0	0	0	0
19	58	0	0	0	0	0	0
20	59	0	0	0	0	0	0
21	60	0	0	0	0	0	0
22	61	0	0	0	0	0	0
23	62	0	0	0	0	0	0
24	63	0	0	0	0	0	0
25	64	0	0	0	0	0	0
26	65	0	0	0	0	0	0
27	66	0	0	0	0	0	0
28	67	0	0	0	0	0	0
29	68	0	0	0	0	0	0
30	69	0	0	0	0	0	0
		<b>500,000</b>	<b>325,000</b>	<b>500,000</b>	<b>500,000</b>	<b>200,000</b>	<b>200,000</b>

# Financing the Income Tax on an Executive Bonus Plan Using Indexed Universal Life

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

Insured Executive: Alex Demas

## Analysis of the Executive Bonus

Bonus for premiums funded by: Hawthorne Construction, Inc.  
Borrower and Policy Owner: Alex Demas

Year	Age	Employer		Executive			
		(1) Bonus to Executive	(2) Employer's After Tax Cost of Bonus	(3) Policy Premium	(4) Bonus Received from Employer	(5) Income Tax on Column (4)	(6) Executive's Net Payment (Funded by Bank Loan)
31	70	0	0	0	0	0	0
32	71	0	0	0	0	0	0
33	72	0	0	0	0	0	0
34	73	0	0	0	0	0	0
35	74	0	0	0	0	0	0
36	75	0	0	0	0	0	0
37	76	0	0	0	0	0	0
38	77	0	0	0	0	0	0
39	78	0	0	0	0	0	0
40	79	0	0	0	0	0	0
41	80	0	0	0	0	0	0
42	81	0	0	0	0	0	0
43	82	0	0	0	0	0	0
44	83	0	0	0	0	0	0
45	84	0	0	0	0	0	0
46	85	0	0	0	0	0	0
47	86	0	0	0	0	0	0
48	87	0	0	0	0	0	0
49	88	0	0	0	0	0	0
50	89	0	0	0	0	0	0
51	90	0	0	0	0	0	0
52	91	0	0	0	0	0	0
53	92	0	0	0	0	0	0
54	93	0	0	0	0	0	0
55	94	0	0	0	0	0	0
		500,000	325,000	500,000	500,000	200,000	200,000

Employer's Tax Bracket  
35.00%

Executive's Income Tax Bracket  
40.00%

# Financing the Income Tax on an Executive Bonus Plan Using Indexed Universal Life

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

Insured Executive: Alex Demas

## Analysis of Bank Loan

Bonus for premiums funded by: Hawthorne Construction, Inc.

Borrower and Policy Owner: Alex Demas

Year	Age	Executive's Income Tax Bracket 40.00%		Loan Interest Payment Method Accrued in all Years		(5) Loan Interest to Accrue	(6) Cumulative Loan Due Bank (3)+(5)
		(1) Loan for Income Tax on Employer Bonus	(2) Net Loan Policy Proceeds Used to Reduce Loan	(3) Loan Balance Subject to Interest	(4) Assumed Bank Loan Interest Rate		
1	40	40,000	0	40,000	4.10%	1,640	41,640
2	41	40,000	0	81,640	4.20%	3,429	85,069
3	42	40,000	0	125,069	4.30%	5,378	130,447
4	43	40,000	0	170,447	4.40%	7,500	177,947
5	44	40,000	0	217,947	4.50%	9,808	227,755
6	45	0	0	227,755	4.60%	10,477	238,232
7	46	0	0	238,232	4.70%	11,197	249,429
8	47	0	0	249,429	4.80%	11,973	261,402
9	48	0	0	261,402	4.90%	12,809	274,211
10	49	0	0	274,211	5.00%	13,711	287,922
11	50	0	287,922	0	0.00%	0	0
12	51	0	0	0	0.00%	0	0
13	52	0	0	0	0.00%	0	0
14	53	0	0	0	0.00%	0	0
15	54	0	0	0	0.00%	0	0
16	55	0	0	0	0.00%	0	0
17	56	0	0	0	0.00%	0	0
18	57	0	0	0	0.00%	0	0
19	58	0	0	0	0.00%	0	0
20	59	0	0	0	0.00%	0	0
21	60	0	0	0	0.00%	0	0
22	61	0	0	0	0.00%	0	0
23	62	0	0	0	0.00%	0	0
24	63	0	0	0	0.00%	0	0
25	64	0	0	0	0.00%	0	0
26	65	0	0	0	0.00%	0	0
27	66	0	0	0	0.00%	0	0
28	67	0	0	0	0.00%	0	0
29	68	0	0	0	0.00%	0	0
30	69	0	0	0	0.00%	0	0
		<b>200,000</b>	<b>287,922</b>			<b>87,922</b>	

# Financing the Income Tax on an Executive Bonus Plan Using Indexed Universal Life

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

Insured Executive: Alex Demas

## Analysis of Bank Loan

Bonus for premiums funded by: Hawthorne Construction, Inc.

Borrower and Policy Owner: Alex Demas

		Executive's Income Tax Bracket 40.00%		Loan Interest Payment Method Accrued in all Years			
Year	Age	(1) Loan for Income Tax on Employer Bonus	(2) Net Loan Policy Proceeds Used to Reduce Loan	(3) Loan Balance Subject to Interest	(4) Assumed Bank Loan Interest Rate	(5) Loan Interest to Accrue	(6) Cumulative Loan Due Bank (3)+(5)
31	70	0	0	0	0.00%	0	0
32	71	0	0	0	0.00%	0	0
33	72	0	0	0	0.00%	0	0
34	73	0	0	0	0.00%	0	0
35	74	0	0	0	0.00%	0	0
36	75	0	0	0	0.00%	0	0
37	76	0	0	0	0.00%	0	0
38	77	0	0	0	0.00%	0	0
39	78	0	0	0	0.00%	0	0
40	79	0	0	0	0.00%	0	0
41	80	0	0	0	0.00%	0	0
42	81	0	0	0	0.00%	0	0
43	82	0	0	0	0.00%	0	0
44	83	0	0	0	0.00%	0	0
45	84	0	0	0	0.00%	0	0
46	85	0	0	0	0.00%	0	0
47	86	0	0	0	0.00%	0	0
48	87	0	0	0	0.00%	0	0
49	88	0	0	0	0.00%	0	0
50	89	0	0	0	0.00%	0	0
51	90	0	0	0	0.00%	0	0
52	91	0	0	0	0.00%	0	0
53	92	0	0	0	0.00%	0	0
54	93	0	0	0	0.00%	0	0
55	94	0	0	0	0.00%	0	0
		200,000	287,922			87,922	

# Financing the Income Tax on an Executive Bonus Plan Using Indexed Universal Life

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

Insured Executive: Alex Demas

## Summary

Bonus for premiums funded by: Hawthorne Construction, Inc.  
Borrower and Policy Owner: Alex Demas

Executive's Income Tax Bracket 40.00%  
Indexed UL Interest Rate 7.00%  
Initial Policy Death Benefit 2,875,000

		Income Tax and Loan Summary				Policy Owner	Analysis of the Collateral		
Year	Age	(1) Income Tax Due by Executive on Employer Bonus	(2) Loan from Bank to Executive for Income Tax	(3) Net Policy Loan Proceeds Used to Reduce Loan	(4) Cumulative Loan Due Bank*	(5) Net Loan Policy Proceeds Available for Retirement Income	(6) Year End Policy Death Benefit	(7) Year End Net Policy Death Benefit (6) - (4)	(8) Year End Policy Cash Value**
1	40	40,000	40,000	0	41,640	0	2,875,000	2,833,360	84,209
2	41	40,000	40,000	0	85,069	0	2,875,000	2,789,931	174,150
3	42	40,000	40,000	0	130,447	0	2,875,000	2,744,553	270,190
4	43	40,000	40,000	0	177,947	0	2,875,000	2,697,053	372,731
5	44	40,000	40,000	0	227,755	0	2,875,000	2,647,245	482,230
6	45	0	0	0	238,232	0	2,875,000	2,636,768	497,889
7	46	0	0	0	249,429	0	2,875,000	2,625,571	514,878
8	47	0	0	0	261,402	0	2,875,000	2,613,598	533,393
9	48	0	0	0	274,211	0	2,875,000	2,600,789	553,614
10	49	0	0	0	287,922	0	2,875,000	2,587,078	575,652
11	50	0	0	287,922	0	0	2,572,408	2,572,408	305,472
12	51	0	0	0	0	0	2,557,289	2,557,289	326,608
13	52	0	0	0	0	0	2,541,414	2,541,414	351,388
14	53	0	0	0	0	0	2,524,745	2,524,745	380,130
15	54	0	0	0	0	0	2,507,243	2,507,243	413,202
16	55	0	0	0	0	0	2,488,866	2,488,866	450,944
17	56	0	0	0	0	0	2,469,569	2,469,569	493,843
18	57	0	0	0	0	0	2,449,308	2,449,308	542,394
19	58	0	0	0	0	0	2,428,034	2,428,034	597,136
20	59	0	0	0	0	0	2,405,697	2,405,697	658,664
21	60	0	0	0	0	0	2,382,242	2,382,242	727,582
22	61	0	0	0	0	0	2,357,615	2,357,615	804,551
23	62	0	0	0	0	0	2,331,756	2,331,756	890,262
24	63	0	0	0	0	0	2,304,604	2,304,604	985,510
25	64	0	0	0	0	0	2,276,095	2,276,095	1,091,174
26	65	0	0	0	0	147,462	2,091,326	2,091,326	1,053,309
27	66	0	0	0	0	150,152	1,894,493	1,894,493	1,017,351
28	67	0	0	0	0	152,923	1,684,909	1,684,909	983,986
29	68	0	0	0	0	155,778	1,461,848	1,461,848	954,044
30	69	0	0	0	0	158,718	1,341,147	1,341,147	928,542
		200,000	200,000	287,922		765,033			

### 30 Year Analysis

	Living Values	Death Benefit
Indexed Universal Life	928,542	1,341,147
Less Loan Repayment Due:	0	0
Plus Cumulative Net Loan Proceeds:	765,033	765,033
Equals Value to Policy Owner:	1,693,575	2,106,180

\*Includes accrued loan interest. See "Analysis of Bank Loan" on Page 6 for details.

\*\*This illustration shows actual results over the years illustrated. The values shown are not valid unless accompanied by a repositional illustration from the issuing life insurance company.

# Financing the Income Tax on an Executive Bonus Plan Using Indexed Universal Life

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

Insured Executive: Alex Demas

## Summary

Bonus for premiums funded by: Hawthorne Construction, Inc.  
Borrower and Policy Owner: Alex Demas

Executive's Income Tax Bracket 40.00%  
Indexed UL Interest Rate 7.00%  
Initial Policy Death Benefit 2,875,000

		Income Tax and Loan Summary				Policy Owner	Analysis of the Collateral		
Year	Age	(1) Income Tax Due by Executive on Employer Bonus	(2) Loan from Bank to Executive for Income Tax	(3) Net Policy Loan Proceeds Used to Reduce Loan	(4) Cumulative Loan Due Bank*	(5) Net Loan Policy Proceeds Available for Retirement Income	(6) Year End Policy Death Benefit	(7) Year End Net Policy Death Benefit (6) - (4)	(8) Year End Policy Cash Value**
31	70	0	0	0	0	161,746	1,284,870	1,284,870	869,115
32	71	0	0	0	0	161,746	1,198,913	1,198,913	811,621
33	72	0	0	0	0	161,746	1,108,908	1,108,908	756,644
34	73	0	0	0	0	161,746	1,014,692	1,014,692	704,847
35	74	0	0	0	0	161,746	916,129	916,129	657,016
36	75	0	0	0	0	161,746	813,127	813,127	614,089
37	76	0	0	0	0	161,746	789,793	789,793	575,763
38	77	0	0	0	0	161,746	772,832	772,832	542,701
39	78	0	0	0	0	161,746	763,034	763,034	515,616
40	79	0	0	0	0	161,746	761,257	761,257	495,282
41	80	0	0	0	0	161,746	768,354	768,354	482,467
42	81	0	0	0	0	161,746	785,190	785,190	477,950
43	82	0	0	0	0	161,746	812,728	812,728	482,596
44	83	0	0	0	0	161,746	851,982	851,982	497,323
45	84	0	0	0	0	161,746	903,893	903,893	522,970
46	85	0	0	0	0	161,746	969,267	969,267	560,249
47	86	0	0	0	0	161,746	1,048,966	1,048,966	609,923
48	87	0	0	0	0	161,746	1,143,680	1,143,680	672,585
49	88	0	0	0	0	161,746	1,253,850	1,253,850	748,590
50	89	0	0	0	0	161,746	1,379,730	1,379,730	838,110
51	90	0	0	0	0	161,746	1,521,233	1,521,233	940,992
52	91	0	0	0	0	161,746	1,567,362	1,567,362	1,069,893
53	92	0	0	0	0	161,746	1,631,538	1,631,538	1,231,444
54	93	0	0	0	0	161,746	1,720,576	1,720,576	1,434,288
55	94	0	0	0	0	161,746	1,842,596	1,842,596	1,688,769
		200,000	200,000	287,922		4,808,683			

### 55 Year Analysis

	Living Values	Death Benefit
Indexed Universal Life	1,688,769	1,842,596
Less Loan Repayment Due:	0	0
Plus Cumulative Net Loan Proceeds:	4,808,683	4,808,683
Equals Value to Policy Owner:	6,497,452	6,651,279

\*Includes accrued loan interest. See "Analysis of Bank Loan" on Page 6 for details.

\*\*This illustration shows actual results over the years illustrated. The values shown are not valid unless accompanied by a repositional illustration from the issuing life insurance company.

# Financing the Income Tax on an Executive Bonus Plan Using Indexed Universal Life

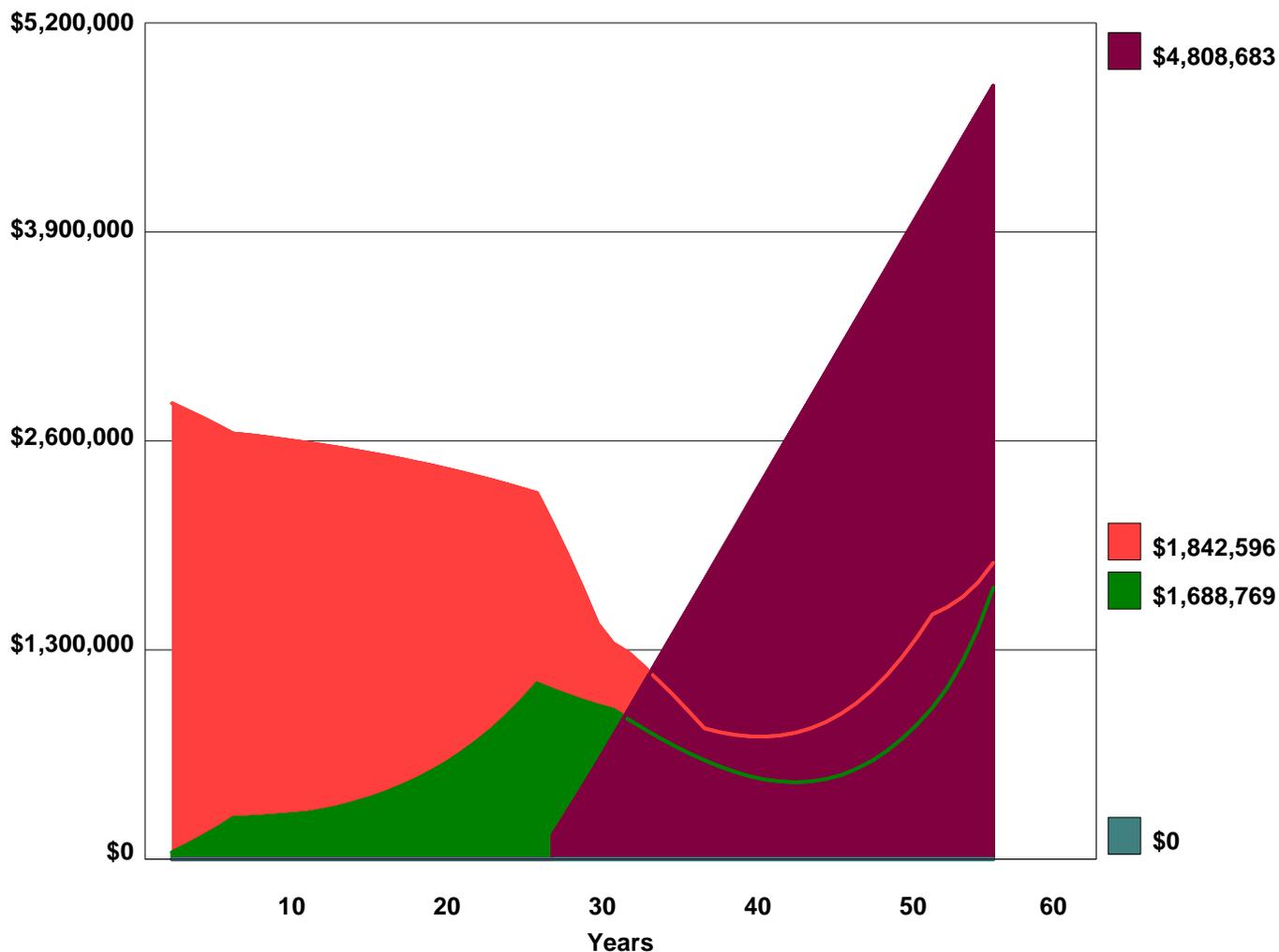
Presented By: [Licensed user's name appears here]

Insured Executive: Alex Demas

## Executive's 55 Year Graphic Analysis

Bonus for premiums funded by: Hawthorne Construction, Inc.

Borrower and Policy Owner: Alex Demas



<u>At Year 55</u>	
Cumulative Payments	\$0
Cumulative Net Loan Proceeds <sup>1</sup>	\$4,808,683
Cash Value Less Loan Due Bank <sup>2</sup>	\$1,688,769
Death Benefit Less Loan Due Bank <sup>2</sup>	\$1,842,596

<sup>1</sup> For retirement income.

<sup>2</sup> The cumulative loan due bank of \$287,922 is assumed paid off at the beginning of year 11 from policy loans.

# Financing the Income Tax on an Executive Bonus Plan Using Indexed Universal Life

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

Insured Executive: Alex Demas

## Policy Loan Analysis

Bonus for premiums funded by: Hawthorne Construction, Inc.  
Borrower and Policy Owner: Alex Demas

		Executive's Income Tax Bracket 40.00%					
Year	Age	(1) Total Net Loan Policy Proceeds	(2) Net Loan Policy Proceeds Used to Reduce Loan	(3) Net Loan Policy Proceeds Available for Retirement Income	(4) Year End Policy Accum Value*	(5) Year End Policy Cash Value*	(6) Year End Policy Death Benefit
1	40	0	0	0	84,209	84,209	2,875,000
2	41	0	0	0	174,150	174,150	2,875,000
3	42	0	0	0	270,190	270,190	2,875,000
4	43	0	0	0	372,731	372,731	2,875,000
5	44	0	0	0	482,230	482,230	2,875,000
6	45	0	0	0	497,889	497,889	2,875,000
7	46	0	0	0	514,878	514,878	2,875,000
8	47	0	0	0	533,393	533,393	2,875,000
9	48	0	0	0	553,614	553,614	2,875,000
10	49	0	0	0	575,652	575,652	2,875,000
11	50	287,922	287,922	0	607,853	305,472	2,572,408
12	51	0	0	0	644,108	326,608	2,557,289
13	52	0	0	0	684,763	351,388	2,541,414
14	53	0	0	0	730,174	380,130	2,524,745
15	54	0	0	0	780,748	413,202	2,507,243
16	55	0	0	0	836,867	450,944	2,488,866
17	56	0	0	0	899,063	493,843	2,469,569
18	57	0	0	0	967,874	542,394	2,449,308
19	58	0	0	0	1,043,891	597,136	2,428,034
20	59	0	0	0	1,127,756	658,664	2,405,697
21	60	0	0	0	1,220,129	727,582	2,382,242
22	61	0	0	0	1,321,725	804,551	2,357,615
23	62	0	0	0	1,433,295	890,262	2,331,756
24	63	0	0	0	1,555,695	985,510	2,304,604
25	64	0	0	0	1,689,868	1,091,174	2,276,095
26	65	147,462	0	147,462	1,836,772	1,053,309	2,091,326
27	66	150,152	0	150,152	1,997,647	1,017,351	1,894,493
28	67	152,923	0	152,923	2,173,866	983,986	1,684,909
29	68	155,778	0	155,778	2,366,984	954,044	1,461,848
30	69	158,718	0	158,718	2,578,783	928,542	1,341,147
		1,052,955	287,922	765,033			

\*This illustration shows actual results over the years illustrated. The values shown are not valid unless accompanied by a reproposal illustration from the issuing life insurance company.

# Financing the Income Tax on an Executive Bonus Plan Using Indexed Universal Life

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

Insured Executive: Alex Demas

## Policy Loan Analysis

Bonus for premiums funded by: Hawthorne Construction, Inc.  
Borrower and Policy Owner: Alex Demas

Executive's  
Income Tax Bracket  
40.00%

Year	Age	(1) Total Net Loan Policy Proceeds	(2) Net Loan Policy Proceeds Used to Reduce Loan	(3) Net Loan Policy Proceeds Available for Retirement Income	(4) Year End Policy Accum Value*	(5) Year End Policy Cash Value*	(6) Year End Policy Death Benefit
31	70	161,746	0	161,746	2,771,702	869,115	1,284,870
32	71	161,746	0	161,746	2,979,170	811,621	1,198,913
33	72	161,746	0	161,746	3,202,404	756,644	1,108,908
34	73	161,746	0	161,746	3,442,728	704,847	1,014,692
35	74	161,746	0	161,746	3,701,624	657,016	916,129
36	75	161,746	0	161,746	3,980,761	614,089	813,127
37	76	161,746	0	161,746	4,280,602	575,763	789,793
38	77	161,746	0	161,746	4,602,616	542,701	772,832
39	78	161,746	0	161,746	4,948,359	515,616	763,034
40	79	161,746	0	161,746	5,319,496	495,282	761,257
41	80	161,746	0	161,746	5,717,725	482,467	768,354
42	81	161,746	0	161,746	6,144,804	477,950	785,190
43	82	161,746	0	161,746	6,602,626	482,596	812,728
44	83	161,746	0	161,746	7,093,187	497,323	851,982
45	84	161,746	0	161,746	7,618,460	522,970	903,893
46	85	161,746	0	161,746	8,180,348	560,249	969,267
47	86	161,746	0	161,746	8,780,860	609,923	1,048,966
48	87	161,746	0	161,746	9,421,902	672,585	1,143,680
49	88	161,746	0	161,746	10,105,206	748,590	1,253,850
50	89	161,746	0	161,746	10,832,390	838,110	1,379,730
51	90	161,746	0	161,746	11,604,820	940,992	1,521,233
52	91	161,746	0	161,746	12,436,744	1,069,893	1,567,362
53	92	161,746	0	161,746	13,336,472	1,231,444	1,631,538
54	93	161,746	0	161,746	14,314,401	1,434,288	1,720,576
55	94	161,746	0	161,746	15,382,720	1,688,769	1,842,596
		5,096,605	287,922	4,808,683			

\*This illustration shows actual results over the years illustrated. The values shown are not valid unless accompanied by a reproposal illustration from the issuing life insurance company.