

Executive Advantage

For: Loan Regime Split Dollar Client

Hypothetical Example

"Creating wealth comes down to discipline."

Allison Vanaski

Presented By:

North American Company for Life and Health Insurance®



**NORTH
AMERICAN**®

A Sammons Financial Company

This executive fringe benefit involves a series of employer-sponsored loans to a valued executive for the purpose of purchasing a cash value life insurance policy.

Promissory Notes: The loans that are associated with this form of split dollar are evidenced by a series of promissory notes between the employer and the executive, and the life insurance policy is assigned as security for the loans. The loans are typically term loans, i.e., they are due at the end of specific period of years; however, the promissory note calls for the acceleration of repayment should the executive die prior to the date of scheduled loan repayments.

Loan Interest: The interest rate for each loan must bear interest equal to or greater than the Applicable Federal Rate (AFR) established under IRC Sections 7872(f)(2)(A) and 1274(d) at the inception of the loan.

If no interest or an inadequate rate of interest is charged on a loan, the IRS recharacterizes the loan into an “arms-length” transaction and imputes an interest rate that is deemed to have been received by the lender and paid by the borrower. As an additional benefit, the employer may choose to offset the executive's tax on any imputed loan interest by way of a bonus.¹ Alternatively, loan interest may be accrued.

The AFR is determined by the length of the loan transaction, i.e., either the demand loan (blended annual rate), the short-term rate (3 years or less), the mid-term rate (over 3 years but not over 9 years), or the long-term rate (over 9 years).

So long as the loan interest rate paid is equal to or exceeds the Applicable Federal Rate, no interest is imputed by the IRS on the transaction.

The loan interest rate for each new loan will likely be different, and each such loan must bear interest equal to or greater than the selected AFR in effect during the month the new loan is executed. Each new loan should be evidenced by its own promissory note.

There are four ways to deal with unknown future loan interest rates:

1. If the executive is paying tax on imputed interest on the split dollar loan, a bonus¹ can be paid from the employer to the executive to help pay this tax. Depending on the relative income tax brackets between the employer and the executive, this could be an attractive option and help reduce the impact of rising interest rates.
2. If the loan interest rate increases, the executive can be allowed to accrue the additional interest. Alternatively, the executive could also withdraw funds from his or her share of the policy values to make up the difference in the loan interest due.
3. Renegotiate the loans: Wait until a time when AFR dips and recast the series of promissory notes into a new note at the reduced rate.
4. Consolidate all loans at the inception of the plan: In this case, the loaned funds in excess of the amount needed to pay the policy's initial premium should be reserved by the executive to pay the remaining stream of premiums. The employer may want to require some form of custodianship for the reserved funds to be certain they are used for the intended purpose.

AFRs in effect for August 2023

Long-term loans (over 9 years): 4.03%

Mid-term loans (over 3 years; not over 9): 4.09%

Short-term loans (3 years or less): 5.07%

Demand loans (blended annual rate): 4.65%

¹When using a bonus to assist with the payment of tax on imputed loan interest, care must be taken not to have the executive use these bonus payments to make loan interest payments (or loan repayments) back to the employer. This restriction complies with the prohibition against the employer making such payments as provided in the split-dollar final regulations issued in 2003 (TD 9092, 9/11/03 and Rev. Rul. 2003-105). Bonuses used to offset the income tax on imputed income should be acceptable.

Preface (continued)

Repayment of Loans from the Employer

In the event of the executive's death, the employer's loans are repaid from the life insurance policy's death benefit; otherwise, loan repayment is handled in one of the following ways.

1. The executive uses personal funds to repay the loans from the employer.
2. The executive borrows against the policy or surrenders a portion of policy values to repay the loans from the employer.

Living Benefits for the Executive

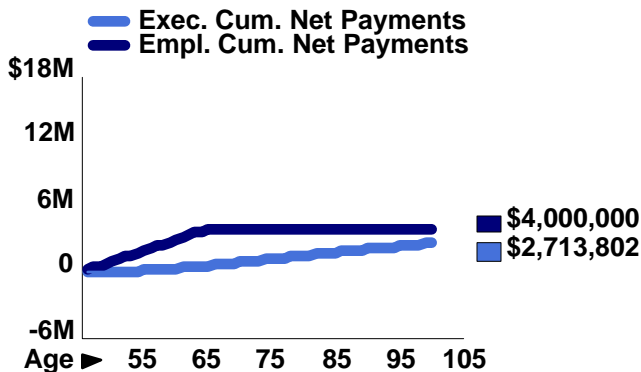
The executive may, if the parties agree, have direct access to policy cash values in excess of the amount required to collateralize the loans from the employer.

If the loans have been repaid, the executive has free access to the cash values. The cash values can be accessed via: 1) policy loans or 2) policy withdrawals or 3) a combination of loans and withdrawals.

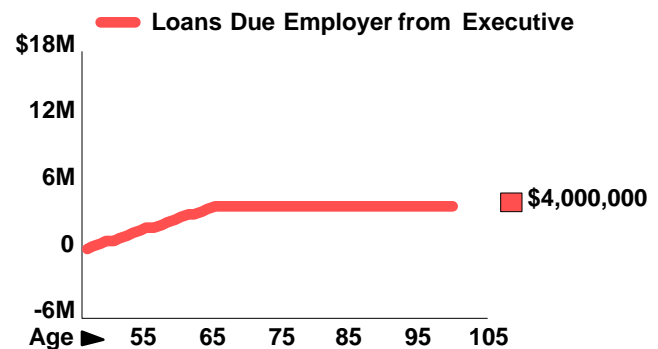
Death Benefits for Beneficiaries

Income tax free death benefits from the executive's share of the life insurance policy's death benefit can produce income streams for the executive's family or liquidity to help offset wealth transfer taxes.

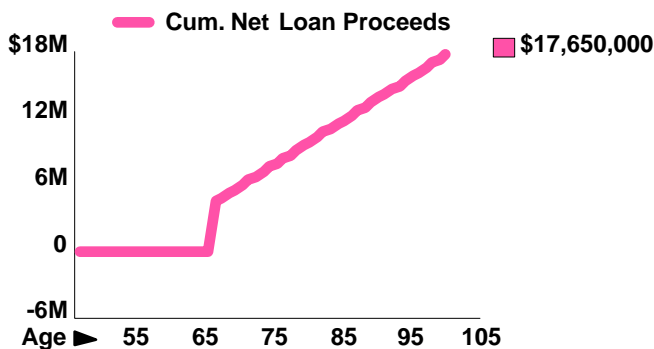
Plan Payments



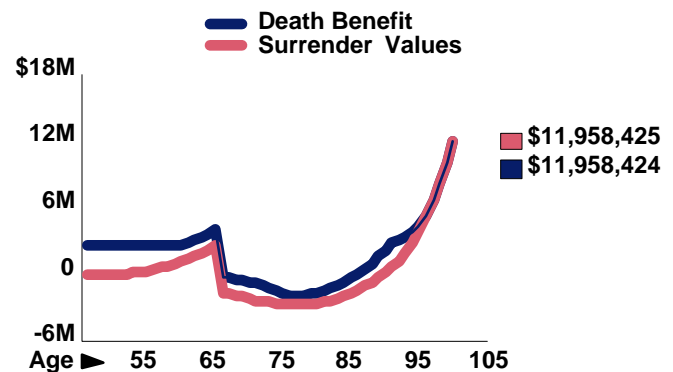
Employer's Loan Receivable



Executive's Cash Flow



Executive's Values



Preface (continued)

Important Notes

A dramatic rise in loan interest rates at the maturity of a demand, short-term or mid-term loan may result in less-than-acceptable loan interest rates when the loan is renewed. When you are dealing with a financial arrangement of many years, long-term loans produce more stable interest rates that can be renegotiated downward should rates decline, but are capped at rates that are known as each loan is made. Due to this you may want to establish your arrangement using long-term loans.

IRC Section 409A should not apply to this form of split dollar unless the employer is bound by the agreement between the parties to forgive the loan, waive payments, etc.

Policy loans reduce cash values and death benefits, and the lapse of a policy with loans could result in negative tax consequences. Be sure to consult with your own legal and tax advisers if you have any questions about this issue.

You should also consult with these advisers before entering into this or any other arrangement involving tax, legal, and economic considerations.

Care must be exercised if a hospital and a doctor employed by that hospital use this form of split dollar due to the Medicare-Medicaid Anti-Kickback Rule and the Stark II Rules. A plan should be able to be designed that complies with these rules; however, if this applies to you, be certain to consult with your legal and tax advisers on these issues.

Loan-Based Split Dollar Funded With Builder Plus IUL[®] 3 - Guideline Premium Test

Presented By: North American

Insured: Loan Regime Split Dollar Client

Employer: Company

Illustration of Policy Values Funding the Plan

Builder Plus IUL3 Interest Rate 5.91%
 Initial Premium 200,000
 Initial Policy Death Benefit 2,626,758

Year	Male Age	(1) Policy Premium	(2) Net Policy Loan Proceeds	(3) Year End Accum Value*	(4) Year End Surrender Value*	(5) Death Benefit
1	45	200,000	0	186,983	104,240	2,826,758
2	46	200,000	0	381,728	303,122	3,026,758
3	47	200,000	0	585,238	510,769	3,226,758
4	48	200,000	0	797,618	731,424	3,426,758
5	49	200,000	0	1,019,301	961,381	3,626,758
6	50	200,000	0	1,250,748	1,201,102	3,826,758
7	51	200,000	0	1,492,449	1,451,077	4,026,758
8	52	200,000	0	1,745,229	1,712,132	4,226,758
9	53	200,000	0	2,009,948	1,985,125	4,426,758
10	54	200,000	0	2,286,900	2,270,351	4,626,758
11	55	200,000	0	2,612,354	2,612,354	4,826,758
12	56	200,000	0	2,956,330	2,956,330	5,026,758
13	57	200,000	0	3,320,214	3,320,214	5,226,758
14	58	200,000	0	3,705,191	3,705,191	5,426,758
15	59	200,000	0	4,112,517	4,112,517	5,626,758
16	60	200,000	0	4,551,545	4,551,545	5,917,009
17	61	200,000	0	5,015,103	5,015,103	6,419,331
18	62	200,000	0	5,503,721	5,503,721	6,934,688
19	63	200,000	0	6,018,513	6,018,513	7,462,956
20	64	200,000	0	6,560,549	6,560,549	8,003,870
21	65	0	4,390,000	7,023,252	2,396,193	3,800,843
22	66	0	390,000	7,525,389	2,237,411	3,667,234
23	67	0	390,000	8,069,474	2,084,886	3,537,392
24	68	0	390,000	8,658,703	1,939,889	3,411,868
25	69	0	390,000	9,296,161	1,803,474	3,290,859
26	70	0	390,000	9,985,216	1,676,866	3,174,648
27	71	0	390,000	10,731,096	1,563,037	2,958,080
28	72	0	390,000	11,539,223	1,465,031	2,734,346
29	73	0	390,000	12,414,287	1,385,032	2,502,318
30	74	0	390,000	13,362,561	1,326,670	2,262,048
		4,000,000	7,900,000			

30 Year Summary

Cum. Payments	4,000,000
Cum. Net Policy Loan Proceeds	7,900,000
Surrender Value	1,326,670
Death Benefit	2,262,048

*This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a proposal from North American Company.

This is an illustration, not a contract.

Loan-Based Split Dollar Funded With Builder Plus IUL® 3 - Guideline Premium Test

Presented By: North American

Insured: Loan Regime Split Dollar Client

Employer: Company

Illustration of Policy Values Funding the Plan

Builder Plus IUL3 Interest Rate 5.91%
 Initial Premium 200,000
 Initial Policy Death Benefit 2,626,758

Year	Male Age	(1) Policy Premium	(2) Net Policy Loan Proceeds	(3) Year End Accum Value*	(4) Year End Surrender Value*	(5) Death Benefit
31	75	0	390,000	14,391,036	1,294,150	2,013,702
32	76	0	390,000	15,499,218	1,284,044	2,059,005
33	77	0	390,000	16,692,115	1,298,265	2,132,870
34	78	0	390,000	17,975,144	1,338,970	2,237,728
35	79	0	390,000	19,354,050	1,408,469	2,376,171
36	80	0	390,000	20,834,373	1,508,675	2,550,394
37	81	0	390,000	22,422,266	1,641,926	2,763,039
38	82	0	390,000	24,124,288	1,810,755	3,016,969
39	83	0	390,000	25,946,701	2,017,184	3,314,519
40	84	0	390,000	27,895,957	2,263,193	3,657,991
41	85	0	390,000	29,978,470	2,550,484	4,049,408
42	86	0	390,000	32,198,601	2,878,452	4,488,382
43	87	0	390,000	34,562,647	3,248,158	4,976,291
44	88	0	390,000	37,076,441	3,659,918	5,513,740
45	89	0	390,000	39,743,783	4,111,718	6,098,907
46	90	0	390,000	42,573,740	4,606,493	6,735,180
47	91	0	390,000	45,626,929	5,198,401	7,023,479
48	92	0	390,000	48,932,519	5,909,803	7,377,779
49	93	0	390,000	52,527,866	6,770,875	7,821,433
50	94	0	390,000	56,461,178	7,822,262	8,386,874
51	95	0	390,000	60,795,316	9,118,853	9,118,853
52	96	0	390,000	65,445,456	10,567,419	10,567,418
53	97	0	390,000	70,433,322	12,180,826	12,180,826
54	98	0	390,000	75,782,017	13,972,842	13,972,842
55	99	0	390,000	81,516,337	15,958,425	15,958,424

4,000,000 17,650,000

55 Year Summary

Cum. Payments	4,000,000
Cum. Net Policy Loan Proceeds	17,650,000
Surrender Value	15,958,425
Death Benefit	15,958,424

*This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a proposal from North American Company.

This is an illustration, not a contract.

Loan-Based Split Dollar Funded With Builder Plus IUL® 3 - Guideline Premium Test

Presented By: North American

The applicable federal rate provides short, mid, and long term rates that can be used for calculations.

Insured: Loan Regime Split Dollar Client

Employer: Company

Summary

Employer's Tax Bracket 21.00%	Executive's Tax Bracket 37.00%	Builder Plus IUL3 Interest Rate 5.91%	Initial Policy Death Benefit 2,626,758	Assumed Long-Term AFR for All Years Illustrated 4.03%	Promissory Note Interest Rate 4.03%
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Year	Male Age	Employer				Executive					
		(1) Net Payment*	(2) Cumulative Net Payments	(3) Portion of Col. (2) Due as a Loan Receivable	(4) Cumulative Charge to Earnings (2) - (3)	(5) Net Payment*	(6) Net Policy Loan Proceeds Available for Retirement Income	(7) Year End Policy Accum Value**	(8) Year End Policy Surrender Value**	(9) Year End Policy Surrender Value** Net of Loan Due Employer	(10) Year End Policy Death Benefit Net of Loan Due Employer
1	45	200,000	200,000	200,000	0	2,982	0	186,983	104,240	-95,760	2,626,758
2	46	200,000	400	0	Executive paying loan interest to employer with interest growing as loan size increases.	5,964	0	381,728	303,122	-96,878	2,626,758
3	47	200,000	600	0		8,947	0	585,238	510,769	-89,231	2,626,758
4	48	200,000	800	0		11,929	0	797,618	731,424	-68,576	2,626,758
5	49	200,000	1,000	0		14,911	0	1,019,301	961,381	-38,619	2,626,758
6	50	200,000	1,200	0		17,893	0	1,250,748	1,201,102	1,102	2,626,758
7	51	200,000	1,400,000	1,400,000		20,875	0	1,492,449	1,451,077	51,077	2,626,758
8	52	200,000	1,600,000	1,600,000		23,858	0	1,748,229	1,712,132	112,132	2,626,758
9	53	200,000	1,800,000	1,800,000		26,840	0	2,009,948	1,985,125	185,125	2,626,758
10	54	200,000	2,000,000	2,000,000		29,822	0	2,288,896	2,266,854	222,042	2,626,758
11	55	200,000	2,200,000	2,200,000		32,804	0	2,582,700	2,559,254	223,446	2,626,758
12	56	200,000	2,400,000	2,400,000		35,786	0	2,892,486	2,867,504	224,982	2,626,758
13	57	200,000	2,600,000	2,600,000		38,768	0	3,218,264	3,191,904	226,568	2,626,758
14	58	200,000	2,800,000	2,800,000		41,750	0	3,560,034	3,533,504	228,200	2,626,758
15	59	200,000	3,000,000	3,000,000		44,732	0	3,917,806	3,887,504	229,832	2,626,758
16	60	200,000	3,200,000	3,200,000		47,714	0	4,291,580	4,252,504	231,464	2,626,758
17	61	200,000	3,400,000	3,400,000		50,696	0	4,681,356	4,627,504	233,096	2,626,758
18	62	200,000	3,600,000	3,600,000	Loan principal paid back with policy cash value.	53,678	0	5,087,134	5,022,504	234,728	3,334,688
19	63	200,000	3,800,000	3,800,000		56,660	0	5,508,912	5,427,504	236,360	3,662,956
20	64	200,000	4,000,000	4,000,000		59,642	0	5,946,690	5,842,504	238,000	4,003,870
21	65	0	4,000,000	4,000,000		59,644	4,390,000	7,023,252	2,396,193	-1,603,807	-199,157
22	66	0	4,000,000	4,000,000		59,644	390,000	7,525,389	2,237,411	-1,762,589	-332,766
23	67	0	4,000,000	4,000,000		59,644	390,000	8,069,474	2,084,886	-1,915,114	-462,608
24	68	0	4,000,000	4,000,000		59,644	390,000	8,658,703	1,939,889	-2,060,111	-588,132
25	69	0	4,000,000	4,000,000		59,644	390,000	9,296,161	1,803,474	-2,196,526	-709,141
26	70	0	4,000,000	4,000,000		59,644	390,000	9,985,216	1,676,866	-2,323,134	-825,352
27	71	0	4,000,000	4,000,000		59,644	390,000	10,728,252	1,566,254	-2,452,700	-1,041,920
28	72	0	4,000,000	4,000,000		59,644	390,000	11,528,252	1,470,254	-2,585,254	-1,265,654
29	73	0	4,000,000	4,000,000		59,644	390,000	12,378,252	1,386,254	-2,721,254	-1,497,682
30	74	0	4,000,000	4,000,000	At retirement when the employer loan is repaid, the executive has full control of policy values and illustrates retirement income.	59,644	390,000	13,273,252	1,313,254	-2,861,254	-1,737,952
		4,000,000					7,900,000				

Executive's 30 Year Summary

Living Values † Death Benefit

*See appropriate Net Payment Analysis for details.

**This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a proposal from North American Company.

Builder Plus IUL3:	1,326,670	2,262,048
Less Loan Repayment Due Employer:	4,000,000	4,000,000
Equals Executive's Net Value:	-2,673,330	-1,737,952
Plus Cumulative After Tax Cash Flow:	7,900,000	7,900,000
Equals Executive's Total Net Value:	5,226,670	6,162,048

†Surrender value less employer's loans plus cum. net policy loans.

This is an illustration, not a contract.

Loan-Based Split Dollar Funded With Builder Plus IUL® 3 - Guideline Premium Test

Presented By: North American

Insured: Loan Regime Split Dollar Client

Employer: Company

Summary

Employer's Tax Bracket 21.00%	Executive's Tax Bracket 37.00%	Builder Plus IUL3 Interest Rate 5.91%	Initial Policy Death Benefit 2,626,758	Assumed Long-Term AFR for All Years Illustrated 4.03%	Promissory Note Interest Rate 4.03%
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Year	Male Age	Employer				Executive					
		(1) Net Payment*	(2) Cumulative Net Payments	(3) Portion of Col. (2) Due as a Loan Receivable	(4) Cumulative Charge to Earnings (2) - (3)	(5) Net Payment*	(6) Net Policy Loan Proceeds Available for Retirement Income	(7) Year End Policy Accum Value**	(8) Year End Policy Surrender Value**	(9) Year End Policy Surrender Value** Net of Loan Due Employer	(10) Year End Policy Death Benefit Net of Loan Due Employer
31	75	0	4,000,000	4,000,000	0	59,644	390,000	14,391,036	1,294,150	-2,705,850	-1,986,298
32	76	0	4,000,000	4,000,000	0	59,644	390,000	15,499,218	1,284,044	-2,715,956	-1,940,995
33	77	0	4,000,000	4,000,000	0	59,644	390,000	16,692,115	1,298,265	-2,701,735	-1,867,130
34	78	0	4,000,000	4,000,000	0	59,644	390,000	17,975,144	1,338,970	-2,661,030	-1,762,272
35	79	0	4,000,000	4,000,000	0	59,644	390,000	19,354,050	1,408,469	-2,591,531	-1,623,829
36	80	0	4,000,000	4,000,000	0	59,644	390,000	20,834,373	1,508,675	-2,491,325	-1,449,606
37	81	0	4,000,000	4,000,000	0	59,644	390,000	22,422,266	1,641,926	-2,358,074	-1,236,961
38	82	0	4,000,000	4,000,000	0	59,644	390,000	24,124,288	1,810,755	-2,189,245	-983,031
39	83	0	4,000,000	4,000,000	0	59,644	390,000	25,946,701	2,017,184	-1,982,816	-685,481
40	84	0	4,000,000	4,000,000	0	59,644	390,000	27,895,957	2,263,193	-1,736,807	-342,009
41	85	0	4,000,000	4,000,000	0	59,644	390,000	29,978,470	2,550,484	-1,449,516	49,408
42	86	0	4,000,000	4,000,000	0	59,644	390,000	32,198,601	2,878,452	-1,121,548	488,382
43	87	0	4,000,000	4,000,000	0	59,644	390,000	34,562,647	3,248,158	-751,842	976,291
44	88	0	4,000,000	4,000,000	0	59,644	390,000	37,076,441	3,659,918	-340,082	1,513,740
45	89	0	4,000,000	4,000,000	0	59,644	390,000	39,743,783	4,111,718	111,718	2,098,907
46	90	0	4,000,000	4,000,000	0	59,644	390,000	42,573,740	4,606,493	606,493	2,735,180
47	91	0	4,000,000	4,000,000	0	59,644	390,000	45,626,929	5,198,401	1,198,401	3,023,479
48	92	0	4,000,000	4,000,000	0	59,644	390,000	48,932,519	5,909,803	1,909,803	3,377,779
49	93	0	4,000,000	4,000,000	0	59,644	390,000	52,527,866	6,770,875	2,770,875	3,821,433
50	94	0	4,000,000	4,000,000	0	59,644	390,000	56,461,178	7,822,262	3,822,262	4,386,874
51	95	0	4,000,000	4,000,000	0	59,644	390,000	60,795,316	9,118,853	5,118,853	5,118,853
52	96	0	4,000,000	4,000,000	0	59,644	390,000	65,445,456	10,567,419	6,567,419	6,567,419
53	97	0	4,000,000	4,000,000	0	59,644	390,000	70,433,322	12,180,826	8,180,826	8,180,826
54	98	0	4,000,000	4,000,000	0	59,644	390,000	75,782,017	13,972,842	9,972,842	9,972,842
55	99	0	4,000,000	4,000,000	0	59,644	390,000	81,516,337	15,958,425	11,958,425	11,958,424
		4,000,000				2,713,802		17,650,000			

Executive's 55 Year Summary

	Living Values [†]	Death Benefit
Builder Plus IUL3:	15,958,425	15,958,424
Less Loan Repayment Due Employer:	4,000,000	4,000,000
Equals Executive's Net Value:	11,958,425	11,958,424
Plus Cumulative After Tax Cash Flow:	17,650,000	17,650,000
Equals Executive's Total Net Value:	29,608,425	29,608,424

*See appropriate Net Payment Analysis for details.

**This illustration assumes the nonguaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a proposal from North American Company.

†Surrender value less employer's loans plus cum. net policy loans.

This is an illustration, not a contract.

Loan-Based Split Dollar Funded With Builder Plus IUL® 3 - Guideline Premium Test

Presented By: North American

Insured: Loan Regime Split Dollar Client

Employer's Net Payment Analysis

Employer: Company

		Employer's Tax Bracket 21.00%	Assumed Long-Term AFR for All Years Illustrated 4.03%*	Promissory Note Interest Rate 4.03%				
Year	Male Age	(1) Beginning of Year Loan to Executive	(2) Cumulative Loan to Executive	(3) Employer's Deemed Loan Interest Income	(4) Employer's Deemed Loan Interest Expense	(5) Employer's Net Payment (1)+(3)-(4)	(6) Employer's Annual Charge to Earnings (5)-(1)	(7) Employer's Cumulative Charge to Earnings
1	45	200,000	200,000	8,060	8,060	200,000	0	0
2	46	200,000	400,000	16,120	16,120	200,000	0	0
3	47	200,000	600,000	24,180	24,180	200,000	0	0
4	48	200,000	800,000	32,240	32,240	200,000	0	0
5	49	200,000	1,000,000	40,300	40,300	200,000	0	0
6	50	200,000	1,200,000	48,360	48,360	200,000	0	0
7	51	200,000	1,400,000	56,420	56,420	200,000	0	0
8	52	200,000	1,600,000	64,480	64,480	200,000	0	0
9	53	200,000	1,800,000	72,540	72,540	200,000	0	0
10	54	200,000	2,000,000	80,600	80,600	200,000	0	0
11	55	200,000	2,200,000	88,660	88,660	200,000	0	0
12	56	200,000	2,400,000	96,720	96,720	200,000	0	0
13	57	200,000	2,600,000	104,780	104,780	200,000	0	0
14	58	200,000	2,800,000	112,840	112,840	200,000	0	0
15	59	200,000	3,000,000	120,900	120,900	200,000	0	0
16	60	200,000	3,200,000	128,960	128,960	200,000	0	0
17	61	200,000	3,400,000	137,020	137,020	200,000	0	0
18	62	200,000	3,600,000	145,080	145,080	200,000	0	0
19	63	200,000	3,800,000	153,140	153,140	200,000	0	0
20	64	200,000	4,000,000	161,200	161,200	200,000	0	0
21	65	0	4,000,000	161,200	161,200	0	0	0
22	66	0	4,000,000	161,200	161,200	0	0	0
23	67	0	4,000,000	161,200	161,200	0	0	0
24	68	0	4,000,000	161,200	161,200	0	0	0
25	69	0	4,000,000	161,200	161,200	0	0	0
26	70	0	4,000,000	161,200	161,200	0	0	0
27	71	0	4,000,000	161,200	161,200	0	0	0
28	72	0	4,000,000	161,200	161,200	0	0	0
29	73	0	4,000,000	161,200	161,200	0	0	0
30	74	0	4,000,000	161,200	161,200	0	0	0
		4,000,000		3,304,600	3,304,600	4,000,000	0	

*See Preface for notes regarding loan interest rates.

The promissory note between the employer and the executive is presumed to be secured by a collateral assignment of the policy.

The employer's loans must be repaid no later than the date specified in the plan documentation.

Loan-Based Split Dollar Funded With Builder Plus IUL® 3 - Guideline Premium Test

Presented By: North American

Insured: Loan Regime Split Dollar Client

Employer's Net Payment Analysis

Employer: Company

		Employer's Tax Bracket 21.00%	Assumed Long-Term AFR for All Years Illustrated 4.03%*	Promissory Note Interest Rate 4.03%					
Year	Male Age	(1) Beginning of Year Loan to Executive	(2) Cumulative Loan to Executive	(3) Employer's Deemed Loan Interest Income	(4) Employer's Deemed Loan Interest Expense	(5) Employer's Net Payment (1)+(3)-(4)	(6) Employer's Annual Charge to Earnings (5)-(1)	(7) Employer's Cumulative Charge to Earnings	
31	75	0	4,000,000	161,200	161,200	0	0	0	
32	76	0	4,000,000	161,200	161,200	0	0	0	
33	77	0	4,000,000	161,200	161,200	0	0	0	
34	78	0	4,000,000	161,200	161,200	0	0	0	
35	79	0	4,000,000	161,200	161,200	0	0	0	
36	80	0	4,000,000	161,200	161,200	0	0	0	
37	81	0	4,000,000	161,200	161,200	0	0	0	
38	82	0	4,000,000	161,200	161,200	0	0	0	
39	83	0	4,000,000	161,200	161,200	0	0	0	
40	84	0	4,000,000	161,200	161,200	0	0	0	
41	85	0	4,000,000	161,200	161,200	0	0	0	
42	86	0	4,000,000	161,200	161,200	0	0	0	
43	87	0	4,000,000	161,200	161,200	0	0	0	
44	88	0	4,000,000	161,200	161,200	0	0	0	
45	89	0	4,000,000	161,200	161,200	0	0	0	
46	90	0	4,000,000	161,200	161,200	0	0	0	
47	91	0	4,000,000	161,200	161,200	0	0	0	
48	92	0	4,000,000	161,200	161,200	0	0	0	
49	93	0	4,000,000	161,200	161,200	0	0	0	
50	94	0	4,000,000	161,200	161,200	0	0	0	
51	95	0	4,000,000	161,200	161,200	0	0	0	
52	96	0	4,000,000	161,200	161,200	0	0	0	
53	97	0	4,000,000	161,200	161,200	0	0	0	
54	98	0	4,000,000	161,200	161,200	0	0	0	
55	99	0	4,000,000	161,200	161,200	0	0	0	
		4,000,000		7,334,600	7,334,600	4,000,000	0		

*See Preface for notes regarding loan interest rates.

The promissory note between the employer and the executive is presumed to be secured by a collateral assignment of the policy.

The employer's loans must be repaid no later than the date specified in the plan documentation.

Loan-Based Split Dollar Funded With Builder Plus IUL® 3 - Guideline Premium Test

Presented By: North American

Insured: Loan Regime Split Dollar Client

Executive's Net Payment Analysis

Employer: Company

		Executive's Tax Bracket 37.00%	Assumed Long-Term AFR for All Years Illustrated 4.03%*	Promissory Note Interest Rate 4.03%				
Year	Male Age	(1) Policy Premium Due by Executive	(2) Beginning of Year Loan from Employer	(3) Cumulative Loan Due Employer	(4) Executive's Split Dollar Imputed Loan Interest	(5) Income Tax on Split Dollar Imputed Loan Interest	(6) Payment Due by Executive (1)-(2)+(5)	(7) Net Policy Loan Proceeds Available for Retirement Income
1	45	200,000	200,000	200,000	8,060	2,982	2,982	0
2	46	200,000	200,000	400,000	16,120	5,964	5,964	0
3	47	200,000	200,000	600,000	24,180	8,947	8,947	0
4	48	200,000	200,000	800,000	32,240	11,929	11,929	0
5	49	200,000	200,000	1,000,000	40,300	14,911	14,911	0
6	50	200,000	200,000	1,200,000	48,360	17,893	17,893	0
7	51	200,000	200,000	1,400,000	56,420	20,875	20,875	0
8	52	200,000	200,000	1,600,000	64,480	23,858	23,858	0
9	53	200,000	200,000	1,800,000	72,540	26,840	26,840	0
10	54	200,000	200,000	2,000,000	80,600	29,822	29,822	0
11	55	200,000	200,000	2,200,000	88,660	32,804	32,804	0
12	56	200,000	200,000	2,400,000	96,720	35,786	35,786	0
13	57	200,000	200,000	2,600,000	104,780	38,769	38,769	0
14	58	200,000	200,000	2,800,000	112,840	41,751	41,751	0
15	59	200,000	200,000	3,000,000	120,900	44,733	44,733	0
16	60	200,000	200,000	3,200,000	128,960	47,715	47,715	0
17	61	200,000	200,000	3,400,000	137,020	50,697	50,697	0
18	62	200,000	200,000	3,600,000	145,080	53,680	53,680	0
19	63	200,000	200,000	3,800,000	153,140	56,662	56,662	0
20	64	200,000	200,000	4,000,000	161,200	59,644	59,644	0
21	65	0	0	4,000,000	161,200	59,644	59,644	4,390,000
22	66	0	0	4,000,000	161,200	59,644	59,644	390,000
23	67	0	0	4,000,000	161,200	59,644	59,644	390,000
24	68	0	0	4,000,000	161,200	59,644	59,644	390,000
25	69	0	0	4,000,000	161,200	59,644	59,644	390,000
26	70	0	0	4,000,000	161,200	59,644	59,644	390,000
27	71	0	0	4,000,000	161,200	59,644	59,644	390,000
28	72	0	0	4,000,000	161,200	59,644	59,644	390,000
29	73	0	0	4,000,000	161,200	59,644	59,644	390,000
30	74	0	0	4,000,000	161,200	59,644	59,644	390,000
		4,000,000	4,000,000		3,304,600	1,222,702	1,222,702	7,900,000

*See Preface for notes regarding loan interest rates.

The promissory note between the employer and the executive is presumed to be secured by a collateral assignment of the policy.

The employer's loans must be repaid no later than the date specified in the plan documentation.

Loan-Based Split Dollar Funded With Builder Plus IUL® 3 - Guideline Premium Test

Presented By: North American

Insured: Loan Regime Split Dollar Client

Executive's Net Payment Analysis

Employer: Company

		Executive's Tax Bracket 37.00%	Assumed Long-Term AFR for All Years Illustrated 4.03%*	Promissory Note Interest Rate 4.03%				
Year	Male Age	(1) Policy Premium Due by Executive	(2) Beginning of Year Loan from Employer	(3) Cumulative Loan Due Employer	(4) Executive's Split Dollar Imputed Loan Interest	(5) Income Tax on Split Dollar Imputed Loan Interest	(6) Payment Due by Executive (1)-(2)+(5)	(7) Net Policy Loan Proceeds Available for Retirement Income
31	75	0	0	4,000,000	161,200	59,644	59,644	390,000
32	76	0	0	4,000,000	161,200	59,644	59,644	390,000
33	77	0	0	4,000,000	161,200	59,644	59,644	390,000
34	78	0	0	4,000,000	161,200	59,644	59,644	390,000
35	79	0	0	4,000,000	161,200	59,644	59,644	390,000
36	80	0	0	4,000,000	161,200	59,644	59,644	390,000
37	81	0	0	4,000,000	161,200	59,644	59,644	390,000
38	82	0	0	4,000,000	161,200	59,644	59,644	390,000
39	83	0	0	4,000,000	161,200	59,644	59,644	390,000
40	84	0	0	4,000,000	161,200	59,644	59,644	390,000
41	85	0	0	4,000,000	161,200	59,644	59,644	390,000
42	86	0	0	4,000,000	161,200	59,644	59,644	390,000
43	87	0	0	4,000,000	161,200	59,644	59,644	390,000
44	88	0	0	4,000,000	161,200	59,644	59,644	390,000
45	89	0	0	4,000,000	161,200	59,644	59,644	390,000
46	90	0	0	4,000,000	161,200	59,644	59,644	390,000
47	91	0	0	4,000,000	161,200	59,644	59,644	390,000
48	92	0	0	4,000,000	161,200	59,644	59,644	390,000
49	93	0	0	4,000,000	161,200	59,644	59,644	390,000
50	94	0	0	4,000,000	161,200	59,644	59,644	390,000
51	95	0	0	4,000,000	161,200	59,644	59,644	390,000
52	96	0	0	4,000,000	161,200	59,644	59,644	390,000
53	97	0	0	4,000,000	161,200	59,644	59,644	390,000
54	98	0	0	4,000,000	161,200	59,644	59,644	390,000
55	99	0	0	4,000,000	161,200	59,644	59,644	390,000
		4,000,000	4,000,000		7,334,600	2,713,802	2,713,802	17,650,000

*See Preface for notes regarding loan interest rates.

The promissory note between the employer and the executive is presumed to be secured by a collateral assignment of the policy.

The employer's loans must be repaid no later than the date specified in the plan documentation.

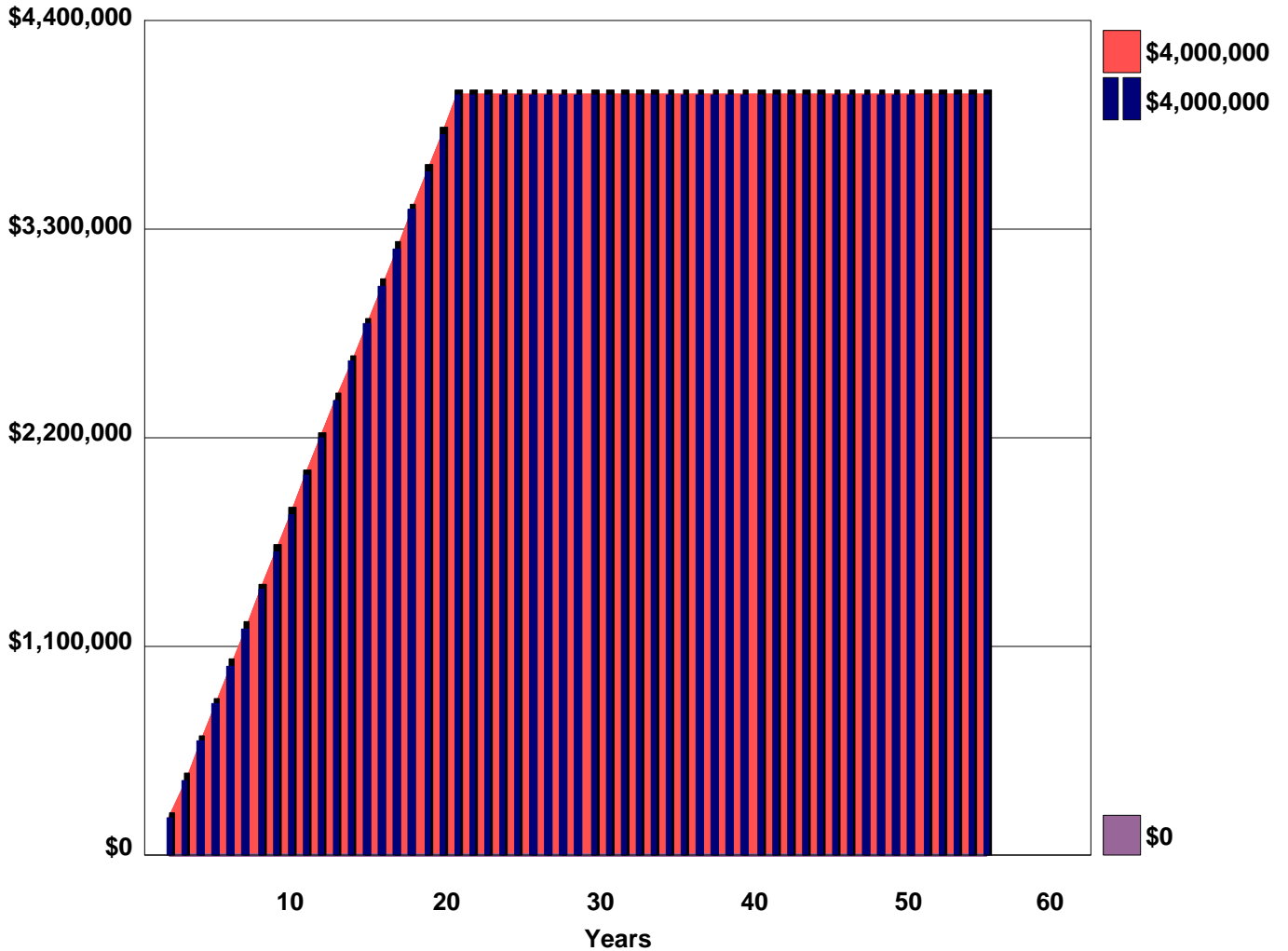
Loan-Based Split Dollar Funded With Builder Plus IUL® 3 - Guideline Premium Test

Presented By: North American

Insured: Loan Regime Split Dollar Client

Employer's 55 Year Analysis

Employer: Company



<u>At Year 55</u>	
Employer's Cumulative Net Payments	\$4,000,000
Cumulative Charge to Earnings	\$0
Loans Due Employer from Executive	\$4,000,000

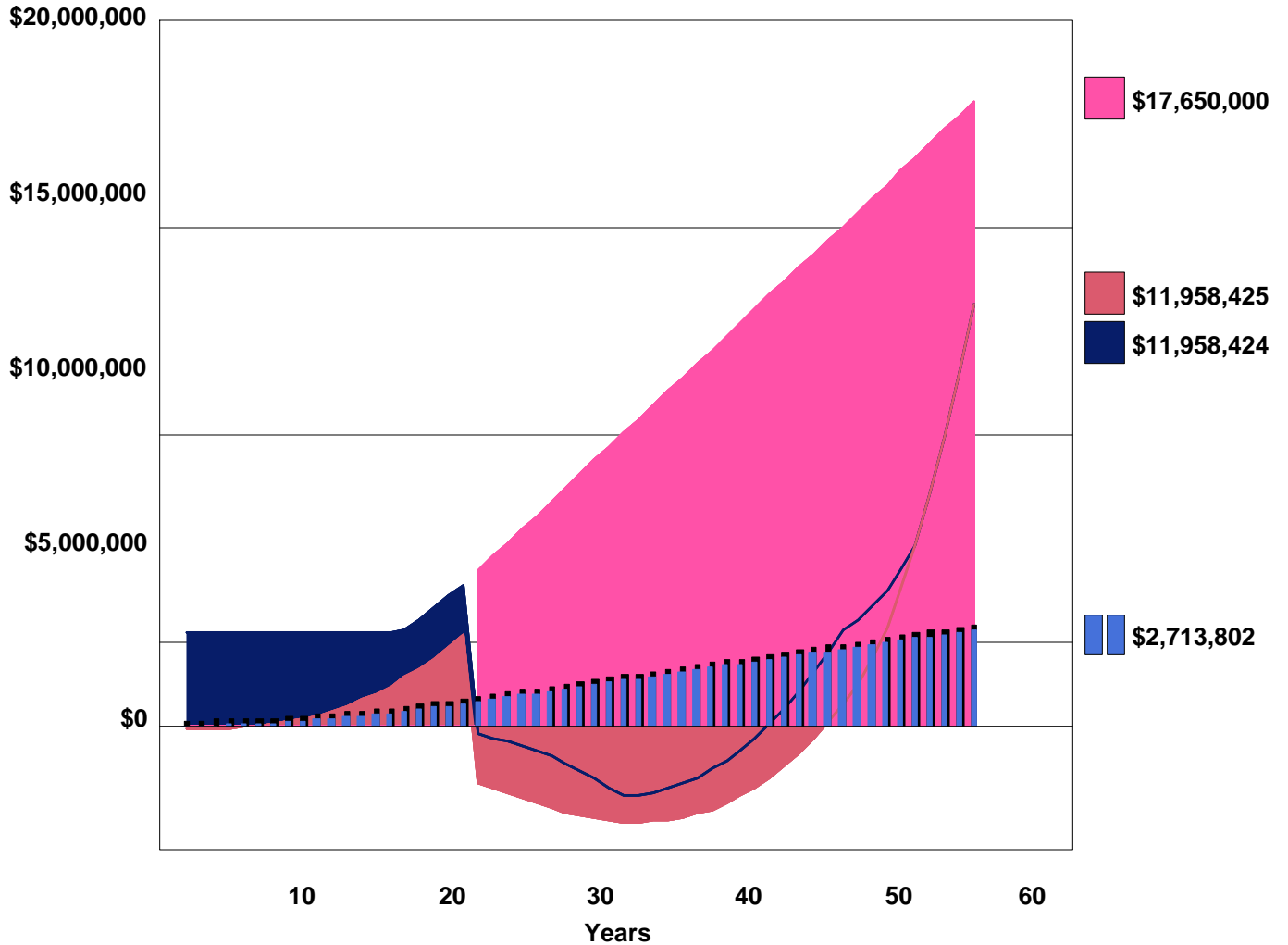
Loan-Based Split Dollar Funded With Builder Plus IUL[®] 3 - Guideline Premium Test

Presented By: North American

Insured: Loan Regime Split Dollar Client

Executive's 55 Year Analysis

Employer: Company



	At Year 55
Executive's Cumulative Net Payments	\$2,713,802
Executive's Cumulative Net Loan Proceeds ¹	\$17,650,000
Executive's Surrender Value Less Cum. Loan Due Employer	\$11,958,425
Executive's Death Benefit Less Cum. Loan Due Employer	\$11,958,424

¹For retirement income.

Loan-Based Split Dollar Funded With Builder Plus IUL® 3 - Guideline Premium Test

Presented By: North American

Insured: Loan Regime Split Dollar Client

Employer: Company

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