

Executive & Professional Life Insurance Restoration Plan

Increase income replacement ratios for high-income earners by adding individual coverage to an employer-paid group-term life insurance plan.

According to the Society for Human Resource Management, about 80% of companies offer company-paid group-term life insurance. Under IRC §79 the first \$50,000 of group-term coverage under a policy carried directly or indirectly by an employer is a tax-free benefit deductible to the employer.

While \$50,000 of coverage is a benefit for all employees, it is not equally valuable to each employee. For a rank-and-file employee earning \$50,000 the plan provides 100% replacement of income. In contrast, the basic plan gives a C-level officer earning \$350,000 just 14% replacement of income.

As an industry standard for income protection life insurance, income earners can apply for coverage equal to at least ten times their annual income (with higher multiples available to younger insureds). Using this multiple, one could conclude a person is likely under-insured if their group benefit is the only coverage they have.

Make high-income earners whole by providing them additional individual coverage. Let's take a look at a sample restoration plan using life insurance.

Annual income	Group life benefit	% Income replaced by group benefit	Supplemental life insurance	% Income replaced by group benefit + supplemental coverage
\$75,000	\$50,000	67%	\$700,000	1,000%
\$125,000	\$50,000	40%	\$1,200,000	1,000%
\$225,000	\$50,000	22%	\$2,200,000	1,000%
\$275,000	\$50,000	18%	\$2,700,000	1,000%
\$350,000	\$50,000	14%	\$3,450,000	1,000%

Assumes fully underwritten plan

Restoration plans may be eligible for guaranteed issue underwriting (UW)

WHAT ARE THE REQUIREMENTS FOR GUARANTEED ISSUE UW?

- Employer/employee relationship required
- May include owners, external directors, executives and management level employees
- 10+ covered lives (in some cases 25+)
- Minimum salary requirement: \$100,000 (in some cases \$75,000)
- Amount of death benefit that can be purchased is formula based:
 - » **Example 1:** 10 lives covered & employee owned = \$300k max coverage on any one person
 - » **Example 2:** 20 lives covered & employee owned = \$800k max coverage on any one person

INCOME PROTECTION



HIGHLIGHTS:

- All key employees would be protected for 10X their income. (3X under guaranteed issue)
- Guaranteed issue plans have simplified enrollment
- Easy to administer and add new employees

If guaranteed issue UW isn't a fit, full UW is also available

Contact The Ash life team!

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