

Executive Legacy

EXECUTIVE LEGACY

*Offering a Valuable
Corporate Benefit*



 **TRANSAMERICA**
INSURANCE & INVESTMENT GROUP

Transamerica Occidental Life Insurance Company



EXECUTIVE LEGACY:

Today, highly qualified employees expect more. To recruit and retain these talented employees, companies need to offer an exceptional benefits package, frequently including additional benefits such as non-qualified deferred compensation, stock option, and executive bonus plans. But have you considered how a charitable giving program might help meet your upper-level management hiring goals?

By using charitable giving as an incentive through an Executive Legacy program, you can offer executives something that will resonate in their hearts. At the same time, it may offer tax advantages for the company.

Life insurance can be an excellent tool for making charitable gifts. For a relatively small premium, the death benefit will provide a significant contribution to the charity. With the Executive Legacy program, you are awarding your executive with the opportunity to provide a larger donation to a charity than would otherwise have been possible under normal circumstances.

WHEN MONETARY COMPENSATION DOESN'T MATTER

Since key executives are highly compensated employees, they usually don't depend on

their other corporate benefits to maintain their quality of life. Many executives are also involved with charitable organizations, serving on various boards, and volunteering their time outside of the office to give back to the organizations they believe in. They often welcome the opportunity to donate to the causes they care about.

HOW IT WORKS

Under the Executive Legacy program, the company enters into an agreement with the executive that states that the company will pay life insurance premiums on the lives of participating executives. The selected charities will be the applicants and owners of the life insurance policies, as well as the beneficiaries of the life insurance proceeds. For example, the executive might suggest that his or her alma mater be named the owner and beneficiary of the policy. While the executive remains with the company, the corporation pays the necessary premiums directly to the insurance company or to the charity, which then pays the premiums.

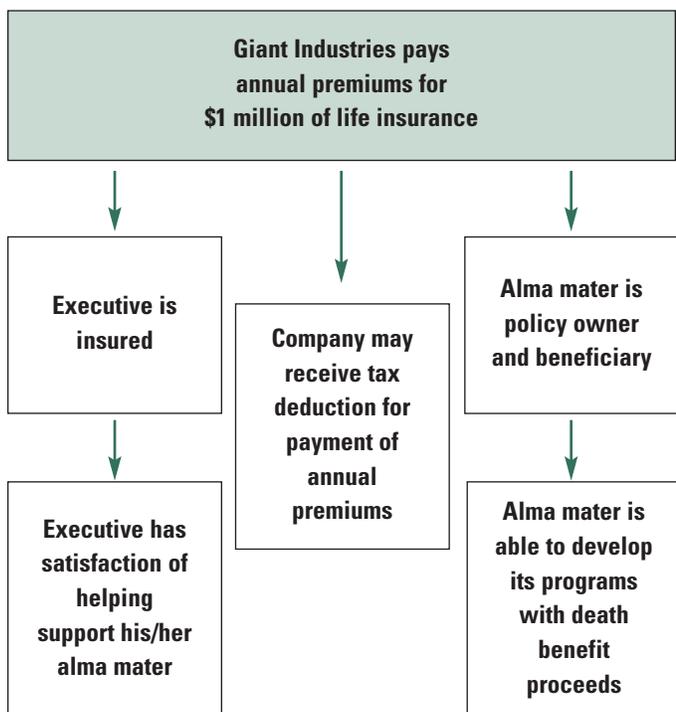
One decision you will need to make concerns the premium payments if and when the executive retires or leaves the company. Will the company continue to make the premium payments, will the insured, or will the charity

OFFERING A VALUABLE CORPORATE BENEFIT

be responsible for keeping the life insurance policy in force when the executive is no longer with the company? These types of questions and their possible solutions need to be addressed on a case-by-case basis and should be discussed by all parties prior to entering into any kind of arrangement such as an Executive Legacy program.

EXAMPLE: GIANT INDUSTRIES

Giant Industries, a multinational corporation, wishes to set up an Executive Legacy program to help recruit and retain a talented executive team. Giant Industries decides it is going to offer a charitable giving program to benefit the executives' alma maters.



The program does not provide any direct financial benefit to the executives, and Giant Industries bears only the relatively small premium costs. In addition, the payment of the death benefit helps meet the universities' funding needs.

VALUABLE TAX-DEDUCTIBLE BENEFITS

Because the company makes the premium contributions on behalf of a charity, it may be entitled to a charitable income tax deduction for the amount of the premium payments. However, there are limits on corporations that wish to make tax-deductible charitable contributions.

The executive will not be liable for any income tax, since he or she does not receive a benefit from the policy, such as the ability to access the policy's cash values. Additionally, since the charity, not the executive, owns the policy, the policy will be kept out of the executive's estate. However, since every state has its own laws and limitations regarding charitable organizations and insurance policy ownership, it is important to work with a knowledgeable financial professional when setting up an Executive Legacy program.

Each state has laws that govern a charity's ability to own and be the beneficiary of life insurance policies. These laws define the relationship that must exist between the person insured and the charity. The intent of these laws is to bar charities from owning policies on persons in whom they do not have an insurable interest. Please consult an attorney who is familiar with the laws in the specific state in which you are considering setting up this program.

MISSION ACCOMPLISHED: ENHANCED EXECUTIVE BENEFITS

An Executive Legacy program using life insurance offers your company flexibility in making charitable gifts. This flexibility provides a key incentive to attract and retain top leadership and help support the work of charitable organizations, while potentially receiving a valuable corporate tax deduction.

To find out how you can take advantage of the Executive Legacy program, contact a Transamerica representative today or visit www.transamerica.com.

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