Supplemental Executive Retirement Plan
(SERP)

Employer wishes to provide a special benefit to an executive:

1. The employer and the executive enter into a contractual agreement in which the employer agrees to provide a pre- and/or a post-retirement benefit to the executive.
2. The employer purchases a cash value life insurance policy on the executive's life. The employer is the owner and sole beneficiary of the policy. The policy provides a death benefit and tax-deferred accumulation of cash value. The employer cannot deduct the premium payments.

At the executive's retirement:

3. At retirement, the executive receives the promised retirement benefit from the employer and pays income tax on the amount received. The employer gets an income tax deduction for the deferred retirement benefit paid to the executive (provided compensation is reasonable).
4. The benefit is made from the employer's current assets, and then, at the option of the employer, recovery of the after-tax cost of making that benefit payment from policy values may occur.

17312 **5/09**

Executive dies prior to retirement:

5. The life insurance policy death benefit is received by the employer income tax free.

6. The employer pays any survivorship benefits, over a stated number of years, per the agreement. This payment is deductible by the employer and is taxed as ordinary income to the heirs.

Advantages for Employer	Advantages for Executive
• Helps to recruit, retain and reward executives. • Plan may discriminate in favor of highly-compensated executives. • Can pick and choose participants. • Minimal IRS and ERISA regulatory requirements. • Highly flexible with controllable cost. • May augment existing qualified retirement plans.	• May provide for family if death occurs prior to retirement. • Supplement to existing retirement benefits. • Recognition for executive contributions to success of business. • Participant in select program from the employer.

[1] Death proceeds may be subject to corporate alternative minimum tax (AMT).

Compensation that was earned by the executive but not included in taxable income for the year of death is income in respect of a decedent (IRD), and taxable to the recipient.

17312 5/09