



iSERPs Can Avoid Roth IRA Income Limits

Customized Executive Benefit Plans

iSERP, funded with institutionally priced permanent life insurance specially designed for executive benefit programs, may be the right choice:

- Money goes in after tax
- Cash value growth is tax deferred
- Money can be accessed tax free

Roth IRAs have the promise of tax-free withdrawals of income that many investors find particularly attractive. Together with the more liberal Roth IRA conversion opportunities beginning in 2010, many executives have renewed interest in a Roth IRA. However, many of your executives and top performers are deterred by the rules limiting contributions by higher earning taxpayers.

An alternative for these key employees may be the iSERP™ (Individual Secured Executive Reward Program) — a NYLEX Benefits developed, employer-sponsored program offering tax-advantaged savings for retirement and other lifetime needs.

ABOUT ROTH IRAS

Roth IRAs have attracted much attention as counterparts to traditional IRA accounts. Contrasted with traditional IRAs, Roth IRA contributions are not deductible for income tax purposes. Similar to a traditional IRA, earnings accumulate tax free. However, unlike a traditional IRA, withdrawals of Roth IRA contributions are not subject to income tax, and withdrawals of earnings in a Roth IRA are tax free if certain holding period, age and other requirements are met.

As with traditional IRAs, contributions to Roth IRAs cannot exceed an annual dollar amount (\$5000 in 2011, \$6000 if age 50 or older), which is reduced to zero if annual income limitations are reached. While there is no requirement for minimum distributions upon reaching age 70½ in a Roth IRA, withdrawals prior to reaching age 59½ may be subject to a 10% penalty unless an exception applies.

Although they may make sense as a retirement planning arrangement, the income and annual dollar limitations on contributions to Roth IRAs make them unavailable to many executives. Fortunately, there is an alternative that provides many of the benefits of a Roth IRA without the statutory restrictions.

ABOUT THE iSERP™

An iSERP arrangement permits an executive to make after-tax contributions that are not subject to an annual dollar limitation. Income builds up on a tax free basis and cash may be accessed tax free.

In an iSERP arrangement, employer or executive funds are used to pay premiums on institutionally-priced permanent life insurance coverage owned

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ABOUT NYLEX BENEFITS

NYL Executive Benefits LLC (“NYLEX Benefits”) provides supplemental executive benefit programs to a wide range of clients. We focus on developing cost-effective executive benefit solutions that are designed to attract, reward and retain key employees.

Our services are designed to assist clients at all stages in the adoption and operation of executive benefit programs and include:

- Initial assessment
- Plan design
- Funding
- Plan implementation
- Ongoing administration

NYLEX Benefits’ professional staff includes the following professional disciplines, all dedicated to supporting our clients’ programs, processes, systems and services:

- Accountants
- Actuaries
- Attorneys
- Benefit specialists
- Insurance specialists

We take great care to assure that client programs are practical and that they are designed to achieve our clients’ strategic and operational goals.

For more information, call us at (203) 353-5800 or visit www.nylexbenefits.com.

by the employee. These policies have high initial cash values and are specially designed for use in employer sponsored executive benefit programs.

Where they represent compensation, employer-paid premiums are taxable to the executive and are deductible by the employer.

Policy values generally can be withdrawn or borrowed on a tax-free basis¹ and death benefits when received are income tax free.

In an *i*SERP program, the funds are owned by the employee and thus are not subject to the creditors of the employer. The executive is the insured, has all rights of ownership in the insurance contract and can access its cash value or transfer ownership as he or she wishes.

The *i*SERP may be the perfect solution where the tax benefits of a Roth IRA seem attractive, but the restrictions of the Roth IRA limit its use.

¹Loan and withdrawals reduce any available policy cash values. In addition, loans against a policy accrue interest at the current rate and decrease the death benefit by the amount of the outstanding loan and interest.

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