

A Clear Path to Wealth Accumulation



The Insured Security Option Plan (ISOP)

A custom-designed tax-advantaged retirement solution
offered exclusively by Executive Benefit Solutions



Contribute

Accumulate

Distribute

Market leader, Executive Benefit Solutions (EBS) has developed, and is now offering select individuals, its ISOP Program; a tax-advantaged wealth accumulation vehicle tailored specifically for highly compensated executives and professionals of not-for-profit organizations.

For those individuals who qualify and choose to participate, the ISOP offers the power of **pre-tax savings** with Roth-like features of **tax-deferred investment growth** and the benefit of non-taxable distributions through the use of an indexed universal life insurance policy¹. With no contribution limits² (insurance premiums), the ISOP is fully secured against an employer's creditors and is portable too.

1. Policy underwritten by Global Atlantic.

2. Contributions refer to premiums paid into the life insurance policy. No set contribution limits, however premiums must not violate the definition of life insurance.



Contribute
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The Business Case

For more 30 years, corporate America implemented nonqualified deferred compensation plans to help attract, retain, and reward the key people in their organizations. To give the employee certain tax advantages, these arrangements were designed to be subject to their employer's creditors, thus they represented an "unsecured promise" from the employer. As account balances have grown, executives have become increasingly concerned with this unsecured position.

With the adoption of IRC §409A, many of the devices that used to provide enhanced flexibility and security such as off shore trusts, haircut provisions, or the right to terminate plans have disappeared. Unfortunately, relatively few alternatives have been available to secure non-qualified benefits. **Until now.**

Executive Benefit Solutions, an innovative leader in executive benefit planning, has invested considerable resources to develop its proprietary program to fill this retirement gap – *introducing* the **Insured Security Option Plan (ISOP)**.

Contribute

Accumulate

Distribute

Executives and professionals seek the freedom and flexibility to direct investment contributions with tax-advantaged dollars; the time to grow the contributions tax-deferred; and the benefit and timing of non-taxable distributions.

The ISOP program produces all this and more because it also provides survivors with income tax-free benefits in the event of a participant's death.

Multi-dimensional, multi-disciplined retirement plans merit careful study. We invite you to explore the distinctive profile of EBS's Insured Security Option Plan (ISOP).



The ISOP – Defined & Differentiated

What sets the ISOP apart from traditional nonqualified plans is the way investment gains are taxed. Contributions are made with after-tax dollars, but all earnings accumulate, tax deferred, on the pre-tax amount (if tax-restoration loan feature is elected)¹.

Structured properly, distributions from the ISOP are not subject to current taxation. What's more, it also includes a non-taxable life insurance benefit.

The ISOP achieves its tax-advantaged status as a result of being powered by a uniquely structured, indexed universal life insurance (IUL) policy, designed to provide early high cash value relative to paid premiums, no surrender charges, and an innovative loan feature.

Please note, the ISOP is not a qualified retirement plan like a Roth IRA or a 401(k) Roth. It is a strategy for putting after-tax dollars leveraged with an optional tax restoration loan into an indexed universal life policy where earnings grow tax deferred. And, if properly structured, distributions can be non-taxable.

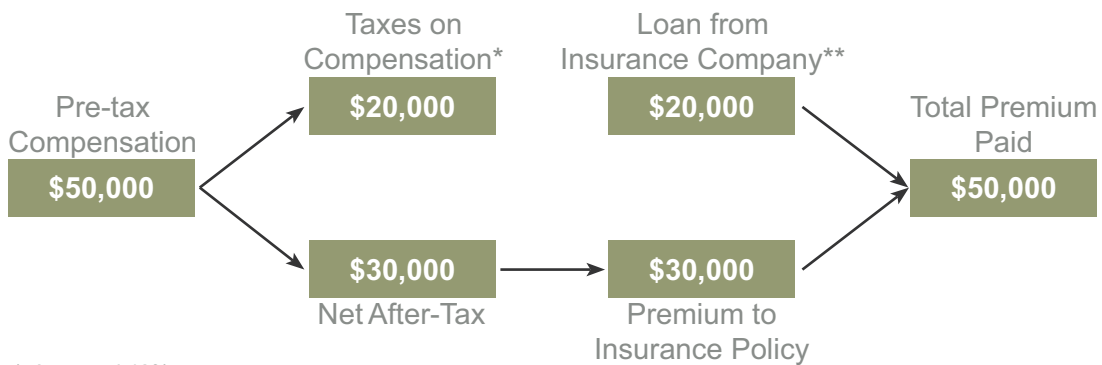


1. Participant optional feature. Contributions refer to premiums paid into an indexed life insurance product.

Tax Restoration Concept

What makes the ISOP unique as a wealth accumulation strategy is the policy's loan feature. This feature allows a participant to take a non-recourse “tax restoration” policy loan to make up for the taxes paid on the amount of any after-tax contribution.

Assume a participant wants to contribute \$50,000 to the ISOP. After paying all applicable taxes, there is approximately \$30,000 left to invest, assuming a 40 percent tax rate. However, due to the “tax restoration” loan, the amount becomes \$50,000 again.



* Assumed 40% tax rate.

** Loan is optional. If chosen, policy loan is non-recourse.

When the after-tax \$30,000 is deposited into the account, the insurance carrier, at participant's discretion, “loans” the account the amount paid in taxes, \$20,000 in this example, so the entire \$50,000 is invested, and the impact of taxes has been deferred. The non-recourse policy loan and any associated interest is simply deducted from the death benefit, assuming the policy remains in force until death.



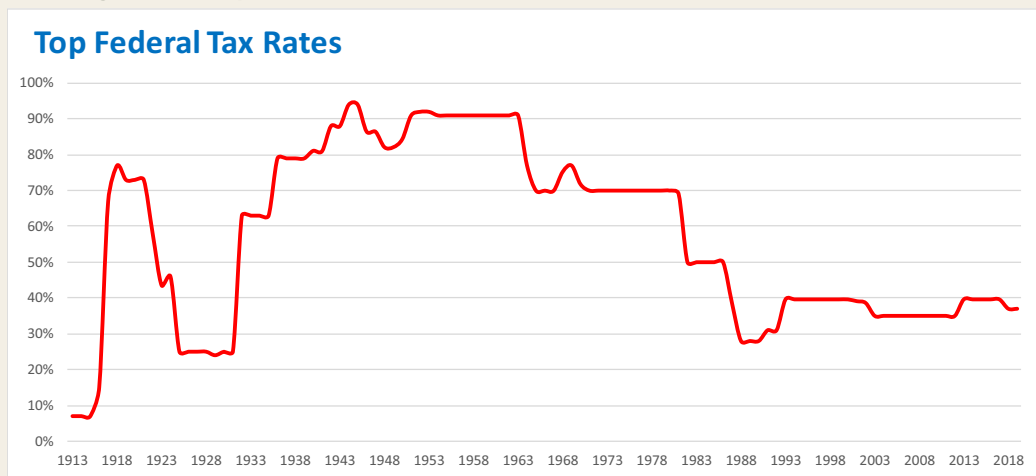
Non-Taxable Income at Retirement

Plans such as 403(b), 401(k), 457(b) and traditional non-qualified plans have failed to hedge against tax increases. Under these plans, contributions and earnings are subject to ordinary income tax at the time of distribution.

A premise of these plans: defer taxation until rates would presumably be lower. Consequently, participants have assumed an over-concentration of tax-rate deferral risk. Combined marginal income and capital gains tax rates are close to all-time lows. If rates increase in the future, it will make the strategy of deferring taxable income less efficient.

Consider these top U.S. income tax rates:

History of U.S. Top Income Tax Rates



In short, the ISOP helps to mitigate future tax risk, as all distributions, when properly structured, are non-taxable. It also provides full benefit security because the account is not subject to the claims of creditors¹.

The ISOP directly targets one unassailable fact of retirement planning:

A portion of a participant's retirement savings should be in a vehicle which can generate non-taxable income in retirement and that is safe from employer creditors.

While recognizing the need for diversification of tax-impacted funds available for future distributions, financial planners struggle with finding ways to fill the non-taxable “bucket,” since the Roth IRA is not a viable option for the highly compensated. The ISOP fills the void.

The power of the ISOP to defer the impact of taxes breathes new life into retirement planning.

1. Amount of individual protection depends on state of issue.

Unique Collared Index Option

MARKET RETURNS WITH DOWNSIDE PROTECTION

Market volatility may have an impact on your retirement. If volatility coincides with your retirement, you might be worried about how it affects your savings and income. EBS is keenly aware of the limited options and opportunities that physicians and executives in not-for-profits have to accumulate assets on a tax-advantaged basis with the need to minimize market risk.

The ISOP offers a unique investment option called the Collared Index crediting rate. The ISOP's Collared Index provides a return that tracks the S&P 500, but eliminates negative returns in exchange for a cap on positive returns, thereby stabilizing peaks and valleys in market performance.

ISOP Funds allocated to the Collared Index receive market based returns, but with a guaranteed minimum crediting rate of 0.00% and a maximum crediting rate of 11.00% (as of March, 2019).

S&P 500 Stock Market Volatility (2000-2018) - Yearly Returns



The Collared Index investment option addresses two common concerns of investors:

1. Suffering a significant loss from a sharp market decline.
2. Being out of the market and missing upside returns.

Let's look at an example

A 50-year-old targets \$50,000 pre-tax savings for 15 years using either the ISOP or a taxable investment account, both earning 6.58% per year. A 40% income tax rate is assumed along with a 25% blended rate on investment income.

	ISOP	Taxable Investment Account
Pre-Tax Contribution:	50,000	50,000
Income Tax (40%)	(20,000)	(20,000)
Tax Restoration Loan	20,000	-
Annual Contribution	50,000	30,000
Death Benefit - Age 50 ¹	919,000	30,000
Death Benefit - Age 65 ²	1,560,000	676,000

	ISOP	Taxable Investment Account
After-Tax Income	86,200	61,800
Number of Years	15	15
Total Income (Age 65-79)	1,293,000	927,000
After-Tax IRR ³	7.29%	4.94%
Plus Death Benefit - Age 85	1,149,000	-
A/T IRR Incl. Death Benefit	9.01%	4.94%

- 1 If participant dies in year 1, the beneficiary would receive a \$919,000 Death Benefit under the ISOP, but only the \$30,000 contribution in the Taxable Investment Account.
- 2 By age 65, the ISOP death benefit has grown to \$1,560,000, while the Taxable Investment Account has grown to \$676,000.
- 3 With the assumed 6.58% earnings rate for both alternatives, the 4.94% after-tax IRR for the Taxable Investment Account reflects the 25% blended tax rate on investment income. The 7.29% after-tax IRR for the ISOP results from the leverage created by the tax restoration loan.



Eligibility

Eligibility in the ISOP program is typically reserved for highly compensated executives and professionals, a determination which is made by the employer. While the employer does not contribute to or fund the ISOP, it may choose to provide a match on participants' contributions (assuming proper design, ERISA may apply). The ISOP is designed as an individual retirement strategy.

Insured Security Option Plan Participant Advantages

- Own the amounts contributed with no annual limits
- Contributions not subject to sponsoring organization's creditors
- No vesting requirements – 100% vested at issue
- No age requirements or penalties on distributions
- Flexibility in timing and amount of distributions
- Portability (may continue program after leaving company)
- Institutionally designed life insurance with enhanced early cash value

Investment Options - Collared Index

- Your funds are indexed to the S&P 500 (ex-dividends), subject to a “collar”
- There is a minimum crediting rate of 0% that provides downside protection
- There is an upper limit to the earnings crediting rate - the “cap”, which is currently 11%

Tax Efficiencies

- Similar to pre-tax savings with tax-deferred growth
- Non-taxable distributions
- Tax-free death benefit

Benefit Security

Finally, the need to generate non-taxable income at the time of retirement is essential to the vitality of any retirement program. With the ISOP Program a participant has a non-taxable reservoir to draw from during retirement, and the inherent room to later respond to potential changes in the tax rate.

A key component of the ISOP Program is the benefit security provided to each participant. Assets held within the vehicle are fully protected from the claims of employer creditors. In the event of an employer's bankruptcy or insolvency, the participant's life insurance policy will not be affected or placed in jeopardy.

Advantages

In summary, participation in the ISOP provides a package rich in durable benefits. Remember a participant is gaining access to a highly efficient, institutionally designed insurance policy that is generally unavailable to individual investors, an exclusive advantage that only Insured Security Option Plan participants can realize.

Naturally, the accumulation, growth, and preservation of assets are essential to comfort in retirement. That's why we have designed the ISOP to stretch beyond standard retirement programs. And, it has been carefully structured to ensure that survivor benefits to participants are clearly recognized and valued from the very outset.

The ISOP is a logical and innovative solution to properly reward professionals and executives whose retirement prospects have been hampered by regulations.



Clearing the Path to Potential

The ISOP is the effective way to place your organization's intangible assets at par with traditional deferred compensation, but with full benefit protection. The difficult quest to attract executive talent alone is reason enough to act decisively to implement the ISOP.

But the overarching reason is business potential. Reach your organization's full business potential. Clear the path to wealth accumulation and preservation for retirement with the ISOP.

About EBS - Success by Association

Executive Benefit Solutions (EBS) is an executive benefits and retirement planning firm committed to offering organizations efficient solutions to attract, retain and reward highly compensated and talented executives.

What Qualifies EBS to Offer the ISOP

Proprietary Breakthrough Solutions. EBS experts are pioneers in the nonqualified executive benefits arena, and responsible for many major innovations such as the ISOP that have gone on to chart the future direction of the industry.

Highly Perceptive Consultants. EBS strives to develop the best possible retirement plans based on its insightful, informed and precedent-setting team of talented consultants.

Open Architecture. EBS's best-of-class implementation and third-party administration evaluation process ensures the best solution for individual client needs.

National Network of Experts. EBS has established a national presence to serve clients through several regional offices, as well as affiliates whose expertise in executive benefits and retirement solutions is unmatched in the business.

ABOUT EXECUTIVE BENEFIT SOLUTIONS, LLC

EBS is an independent executive benefits consulting firm which provides total plan management services with respect to programs specifically designed for key employees and professionals. Those services include:

- Consulting with respect to plan design,
- The structuring of related financing and benefit security arrangements,
- The design and management of the participant communication, education and enrollment processes,
- Management of any informal funding assets and,
- On-going plan administration and technical support.

More information about the firm can be found at: www.executivebenefitsolutions.com.

CONTACT INFORMATION:

EBS-Boston

20 Park Plaza, Suite 1116
Boston MA 02116
Phone: **617.904.9444**
Fax: 866.903.9927

Christopher Rich

Managing Director
crich@ebs-boston.com

Chris Wyrzten

Managing Director
cwyrzten@ebs-boston.com

Robert Flood

Managing Director
rflood@ebs-boston.com

National Administration

801 East Plano Parkway, Suite 216
Plano, TX 75704
972.422.8298

Bonnie Barnes

Vice President of Plan Administration
bbarnes@ebs-boston.com

EBS-Milwaukee

601 Genesee Street
Delafield, WI 53018
262.853.7755

Robert Birdsell

Managing Director
bob.birdsell@ebs-milwaukee.com

EBS-Richmond

3801-A Westerre Parkway
Richmond, VA 23233
804.317.9670

Hugh Carter

Managing Director
hcarter@ebs-richmond.com

EBS-Southeast

82 Southside Village Drive
Asheville, NC 28803
828.654.8400

101 Plaza Real South, Suite 808
Boca Raton, FL 33432
(888) 906-3306

Glen E. Horecky

Managing Director
ghorecky@ebs-southeast.com

EBS-West

1902 Wright Place, Suite 200
Carlsbad, CA 92008
760.788.1321

William L. MacDonald

Managing Director
760.340.4277
wmacdonald@ebs-west.com

Don Curristan

Managing Director
760.788.1321
dcurristan@ebs-west.com

Trevor K. Lattin

Managing Director
949.306.5617
tlattin@ebs-west.com





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