

LIFE ADVANCED MARKETS

Non-qualified deferred compensation using life insurance – beneficiary designation: Example document

Specifies who will receive the plan benefits in the event of the death of the key employee participating in the plan

Using this nonqualified deferred compensation (NQDC) plan, specific key employees may defer a portion of their income – such as salary, bonuses, or commissions – to be paid at a future date, typically upon retirement or separation from service.

The employee does not pay income taxes on any amounts deferred until such time as the employee receives the deferred compensation.

Unlike qualified plans (e.g., 401(k) plans), NQDC plans do not have to comply with ERISA¹ requirements, allowing for more flexibility in terms of design and participation criteria. NQDC plans do not have IRS contribution limits, and are typically unfunded, meaning the money remains part of the company's general assets and is subject to creditor claims in bankruptcy. However, employers may often choose to purchase life insurance policies on the lives of the plan participants in order to provide the liquidity necessary to pay the deferred compensation to the participants in the future per the terms of the plan.

Keep in mind that any strategy that includes life insurance is contingent on the health underwriting of the insured and financial underwriting. Employers should consult with financial professionals and tax professionals to determine whether it is an appropriate strategy for their specific situation.

All legal documents need to be drafted by an attorney; this example is provided as a reference for your discussions.



Indexed Universal Life (IUL)

With its death benefit protection, accumulation potential, and the opportunity for loans and withdrawals, IUL can be a valuable tool for small businesses to address key-employee compensation, business succession, and business-owner estate-planning strategies.



NEED ADDITIONAL HELP? Call the Life Case Design Team at **800.950.7372**.

¹ Employee Retirement Income Security Act of 1974.

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Allianz Life Insurance Company of North America does not provide financial planning services.

Indexed universal life (IUL) insurance policies provide a death benefit that is generally paid income-tax-free to beneficiaries, and the potential to build tax-deferred accumulation value. IUL requires qualification through health and financial underwriting.

Policy loans and withdrawals will reduce the available cash value and death benefit and may cause the policy to lapse, or affect guarantees against lapse. Withdrawals in excess of premiums paid will be subject to ordinary income tax. Additional premium payments may be required to keep the policy in force. In the event of a lapse, outstanding policy loans in excess of unrecovered cost basis will be subject to ordinary income tax. If a policy is a modified endowment contract (MEC), policy loans and withdrawals will be taxable as ordinary income to the extent there are earnings in the policy. If any of these features are exercised prior to age 59½ on a MEC, a 10% federal additional tax may be imposed. Tax laws are subject to change and you should consult a tax professional.

Product and feature availability may vary by state and broker/dealer.

Guarantees are backed solely by the financial strength and claims-paying ability of Allianz Life Insurance Company of North America.

Products are issued by Allianz Life Insurance Company of North America, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297. 800.950.1962 www.allianzlife.com

This content does not apply in the state of New York.

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DEFERRED COMPENSATION AGREEMENT BENEFICIARY DESIGNATION FORM

Complete this form only if this is your first-time election
OR
if you have a life event change to your initial beneficiary designation election

Name of employer: _____

Employee information

Name (print): _____ Social Security number: _____ - _____ - _____

A beneficiary designation must be provided at the time you choose to elect to defer compensation under the terms of that certain Nonqualified Deferred Compensation Agreement dated effective: _____.
This beneficiary election will remain in effect unless and until you change it by completing a new Beneficiary Designation Form and delivering it to Employer.

You may elect any one of the following as your beneficiary: your spouse; father, mother, sibling, or child; or a legal ward living with, and dependent upon, you, provided that they continue to live with you and are dependent upon you at the time of your death.

Your beneficiary will receive payment of your deferred compensation account balance if your death occurs before the entire account has been distributed to you under the terms of the Nonqualified Deferred Compensation Agreement dated effective: _____.

I elect the following person(s) as my beneficiary (please identify both a primary and a contingent beneficiary).

Primary beneficiary	Contingent beneficiary
Name:	Name:
SSN:	SSN:
Date of birth:	Date of birth:
Relationship:	Relationship:

Date

Employee signature

RECEIVED BY EMPLOYER: _____
Authorized signature

Date received: _____