

Executive Income Protection

MUCH OF YOUR COMPANY'S SUCCESS DEPENDS ON THE TALENTS OF YOUR KEY EXECUTIVES.

But keeping the people who keep the business going is easier said than done. Higher pay is only one of the answers. Combining group long-term disability (LTD) with individual disability income insurance (DI) can be a vital part of the solution.

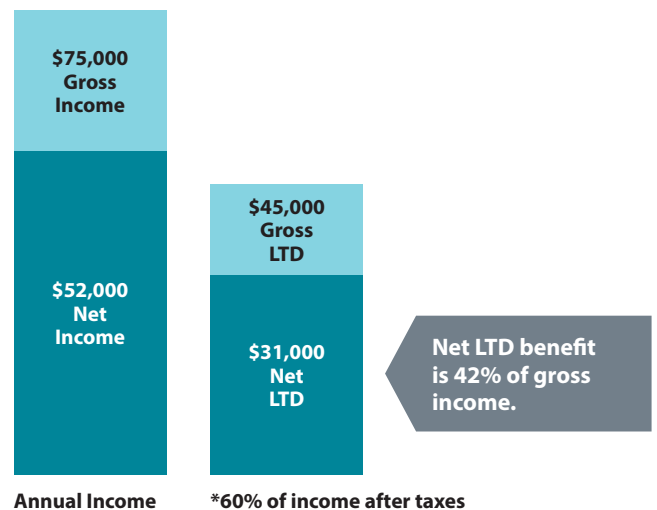
MIND THE INCOME PROTECTION GAP

How many of your company's executives would have to spend their retirement assets, personal savings or monetary reserves if they lost their income due to an illness or injury? The typical stand-alone group LTD plan usually limits the amount of income protection available to top executives. These plans often make your company's highest earners fall victim to the gap, with only 30–50 percent of their income protected, while most of your broad-based employees achieve more significant income protection.

Many executives don't know this gap exists — until it's too late. Consider these shortfalls:

- **Shortfall #1: The 60 Percent Illusion** – The taxability of an employer-paid LTD benefit causes the take-home benefit amount to be less than the expected amount of income protection perceived by the employee.

THE 60% ILLUSION

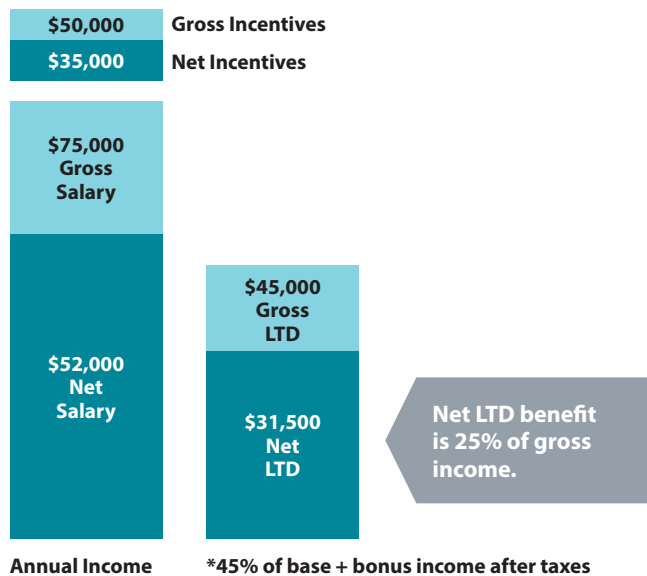


*Assuming LTD benefit = 60% of base salary to a maximum monthly benefit of \$10,000 and a 30% tax bracket for federal, state and FICA

For illustrative purposes only

- **Shortfall #2: Salary Only** – The definition of earnings within a group LTD plan usually excludes bonuses and other incentives. That means that all of a key employee’s income may not be protected.

“SALARY ONLY” DEFINITION OF EARNINGS

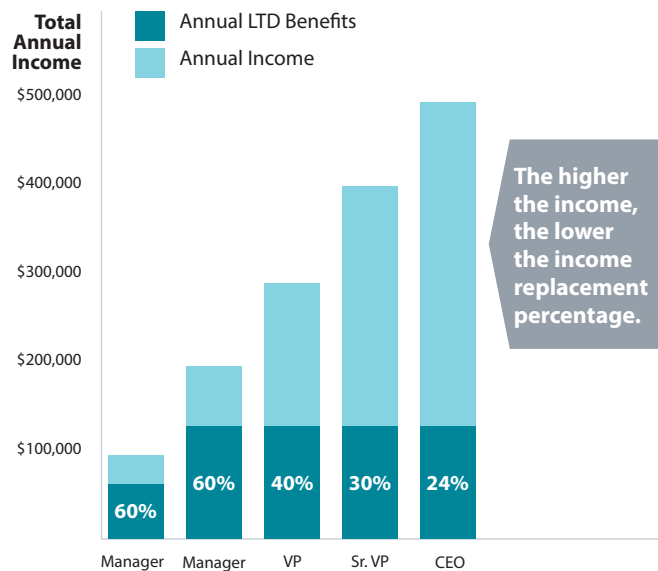


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- **Shortfall #3: Reverse Discrimination** – The maximum group LTD benefit in the plan puts a cap on some highly compensated executives. The result? They have less of their income protected than broad-based employees.

REVERSE DISCRIMINATION OF HIGHLY COMPENSATED EXECUTIVES



Assuming LTD benefit = 60% of base salary to a maximum monthly benefit of \$10,000 and a 30% tax bracket for federal, state and FICA

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AN INTEGRATED SOLUTION

There are many ways you can solve the income protection gap with group LTD; however, they can increase the rate of the entire plan. But when we expertly combine group LTD with individual DI coverage, you get a solid, well-thought-out plan that can deliver big benefits to your top earners while helping to keep your company’s costs in check.

Executive Benefits

- Individual DI transfers the risk to a non-cancellable, fixed-rate contract with level premiums.
- Benefits provide maximum income replacement ratios.
- Permanent rates go to age 65.
- DI policies can be offered as guaranteed standard issue, meaning there are no medical exams.
- Premium discounts are portable if the executive leaves the employer.
- With an employee-paid offering, an executive can receive a tax-free individual DI benefit.

Employer Benefits

- Packaged pricing discounts are available with many group LTD carriers when individual DI is added.
- Competitive bidding is high with group LTD carriers when the maximum benefit isn’t increased.
- LTD rate volatility is reduced when risk is spread among a combination of group LTD and individual DI.

Executive Disability Income Insurance — And a Whole Lot More

At NFP Corp., our solutions and expertise are matched only by our personal commitment to each client's goals. We're a leading insurance broker and consultant that provides employee benefits, property & casualty, retirement and individual private client solutions through our licensed subsidiaries and affiliates.

NFP has more than 4,300 employees and global capabilities. Our expansive reach gives us access to highly rated insurers, vendors and financial institutions in the industry, while our locally based employees tailor each solution to meet our clients' needs. We've become one of the largest insurance brokerage, consulting and wealth management firms by building enduring relationships with our clients and helping them realize their goals.

For more information, visit NFP.com.

By combining group and individual disability coverage, your company can provide unique income protection that can keep your top talent happy and your company's bottom line healthy. For more information, contact us at 844-ASK-NFP1.

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