

VisionLink

Cutting Edge Funding for Deferred Compensation and Other Executive Benefit Plans

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Financial Visions

January 29, 2008



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Key Concepts



- How to optimize the return on the funding of your Plan
- How to evaluate and compare investment and insurance funding
- How to manage a funding strategy to insure optimum efficiency
- How to capitalize on cost improvements in the insurance market

A well-managed funding program can add meaningful improvement to shareholder equity

Today's presenter

Thomas E. Miller

President

949-265-5700

tmiller@vladvisors.com



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We're happy to provide a copy of today's slides. Information will be provided at the close of the presentation.

For questions during today's presentation:

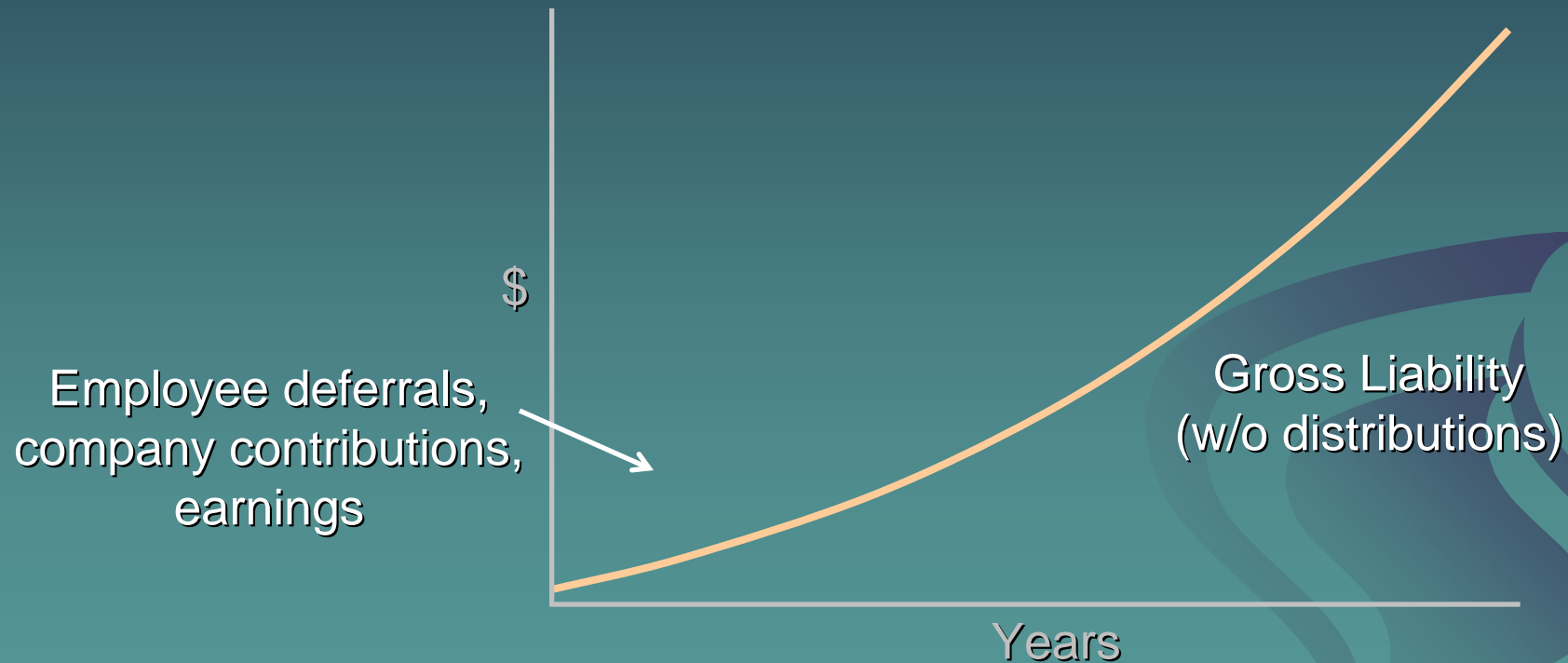
Use the question panel to the right of your screen

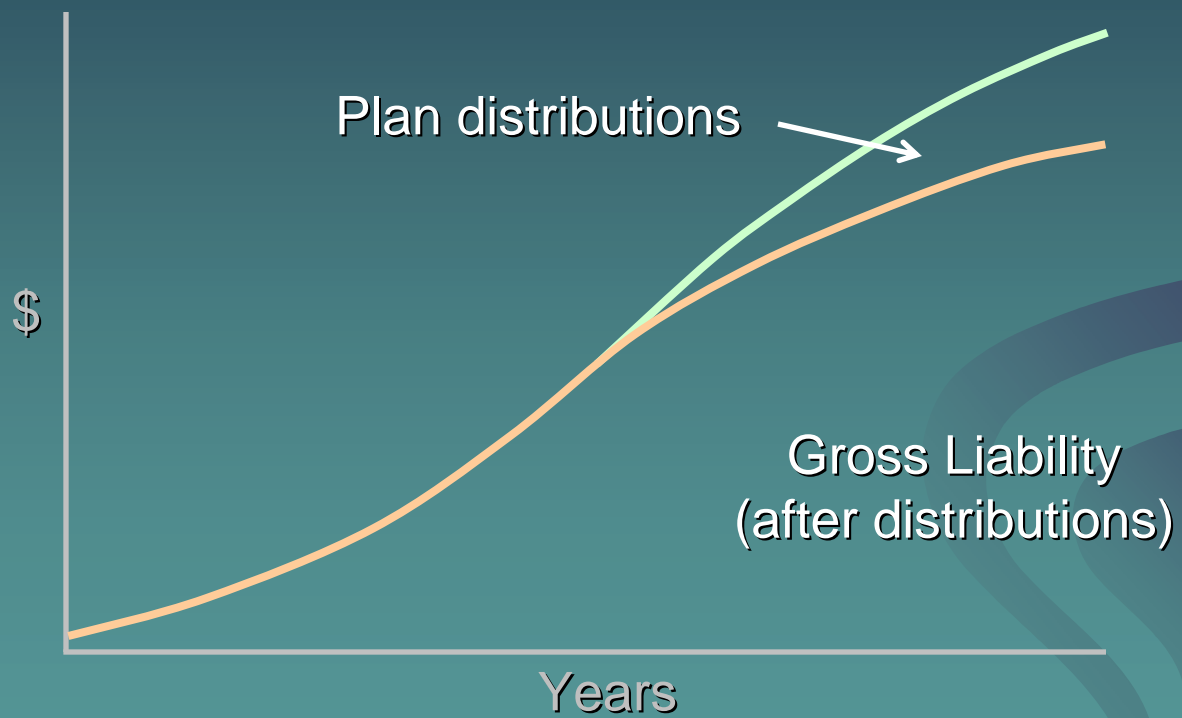


Planning opportunities

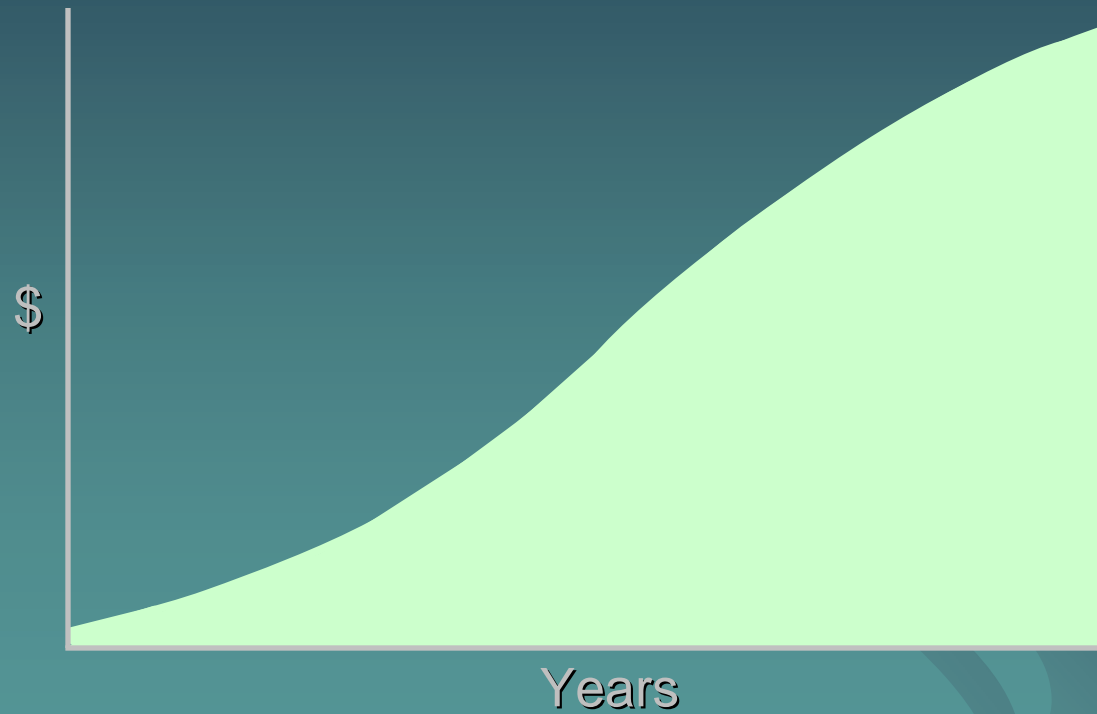
Deferred compensation
Supplemental retirement
LTIP (e.g., phantom stock)

Any long-term commitment that will involve cash payments to employees



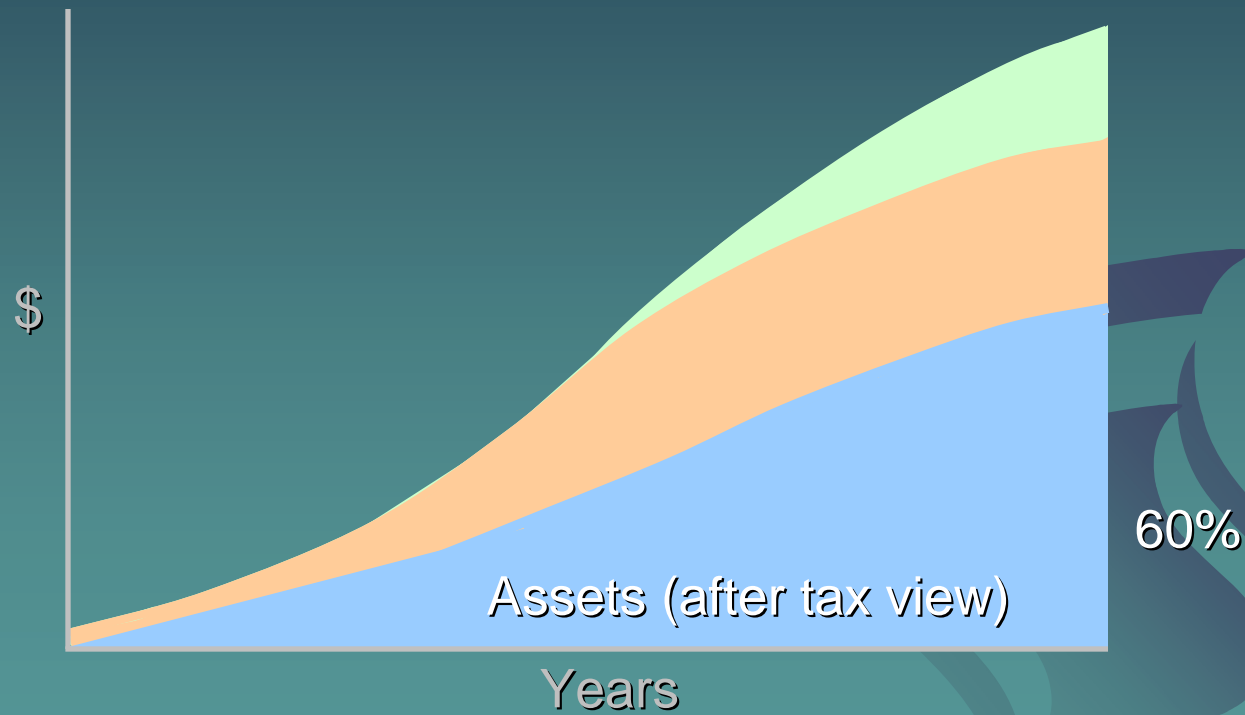


Asset Option 1



Assets = Liability

Asset Option 2



“Funding”

- Informal
- Really “pre-funding”
- Prudent, not required
- Like defined benefit plan

Objectives of pre-funding

- Create sinking fund in anticipation of future payment obligations
- Earn market-based returns
- Optimize tax leverage opportunities
- Manage efficiently to avoid transaction fees and other costs

Topics

1. Best approach
2. Optimizing value
3. Comparative analysis
4. Long-term success

Best Approach



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Investments vs. COLI

What's the same?

Investments

- Fund options
- Diversified allocation

COLI

- Fund options
- Diversified allocation

What's different?

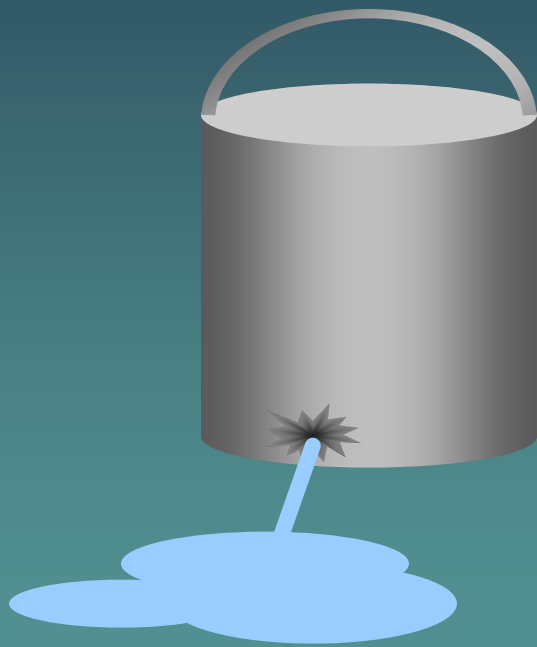
Investments

- Tax on growth

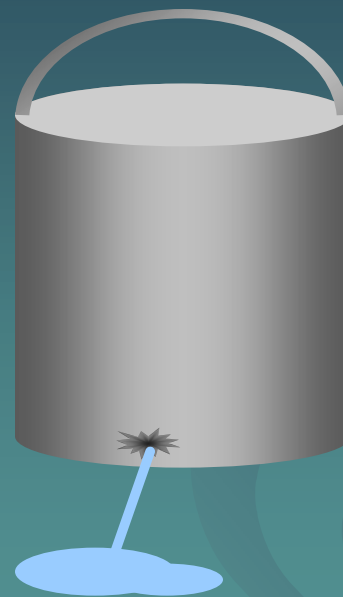
COLI

- Death benefit
- Insurance expenses

Which produces the best long-term growth?

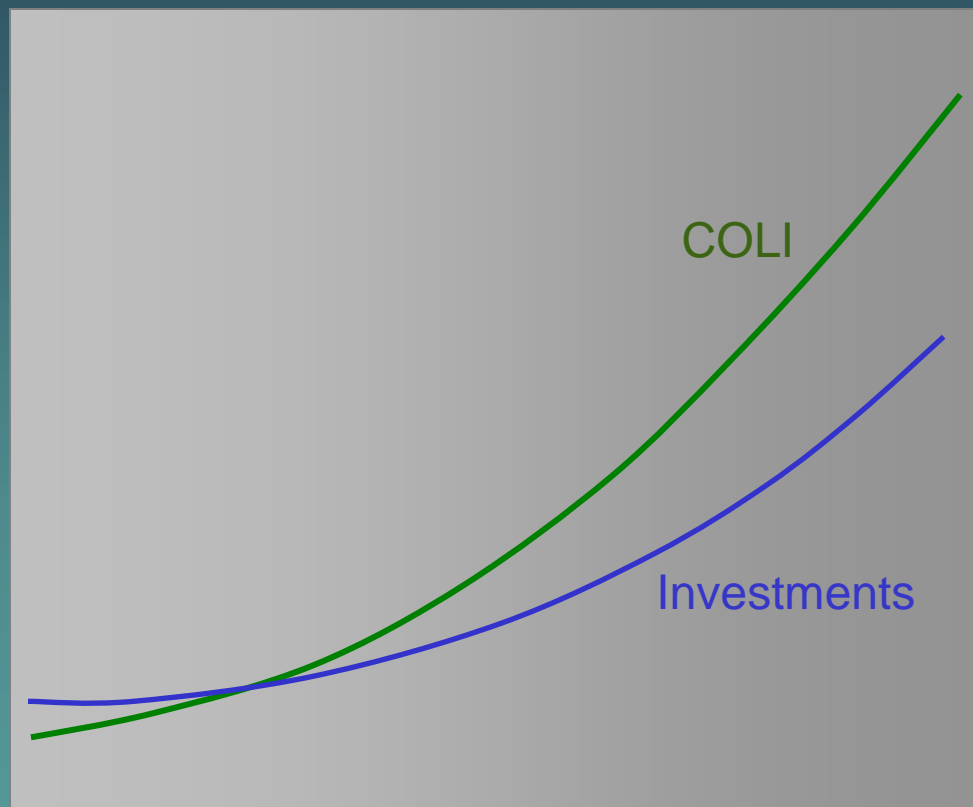


Taxes



Insurance Expenses

Which produces the best long-term growth?



Assuming same pre-tax return

Conclusion #1

Given sufficient time, a well-designed COLI approach is likely to out-perform a taxable investment portfolio

Optimizing Value



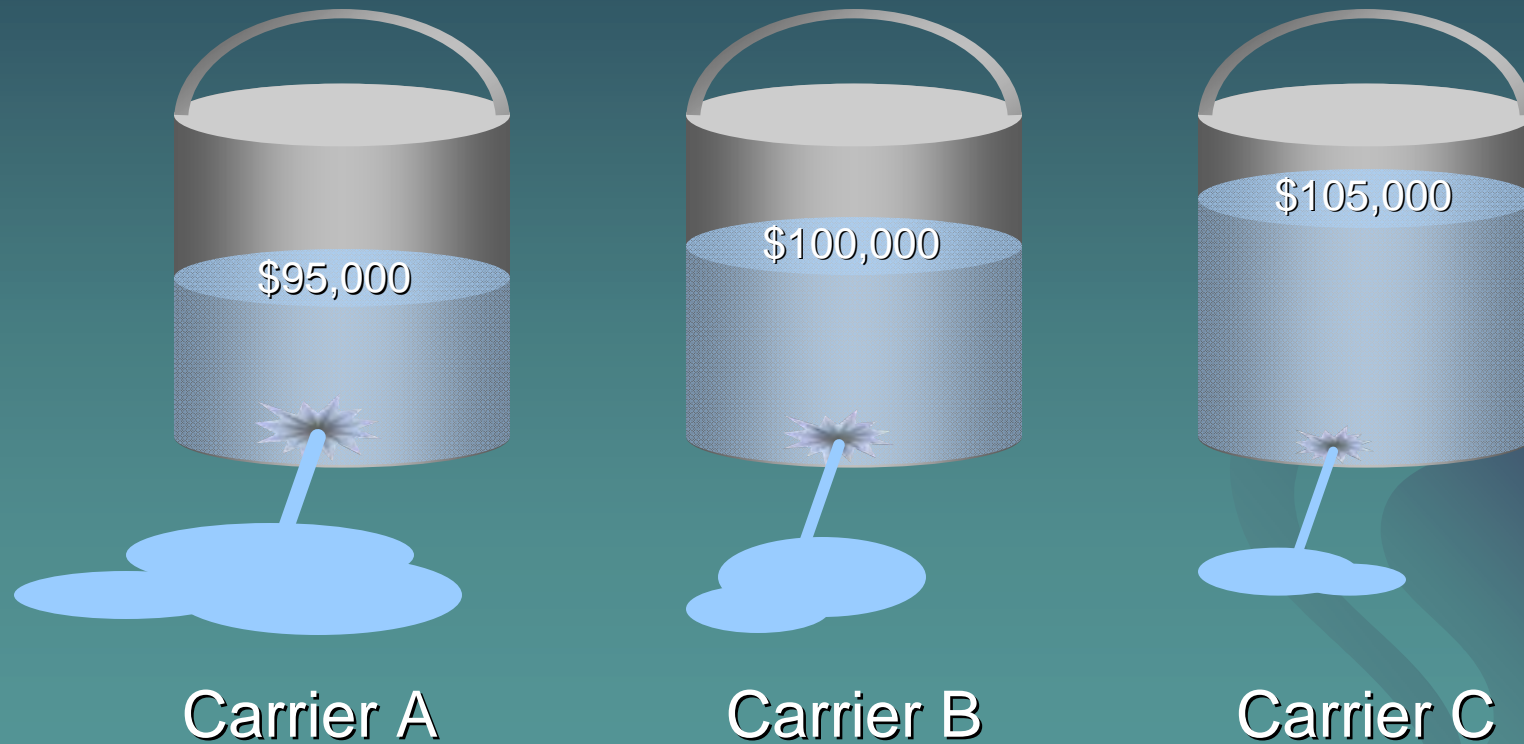
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Best Practice Steps

Optimize Value

- Low cost product
 - Premium charges
 - Asset charges
 - COI charges
- Compare carriers
- Minimum death benefit
- Structure on 7-Pay schedule

\$100,000



Assumes same investment return

Cost differentiator

- Current charges are not guaranteed
- Companies can increase COIs and other expenses
- Look for “in-force re-pricing”
 - Only available in select circumstances

Comparative Analysis



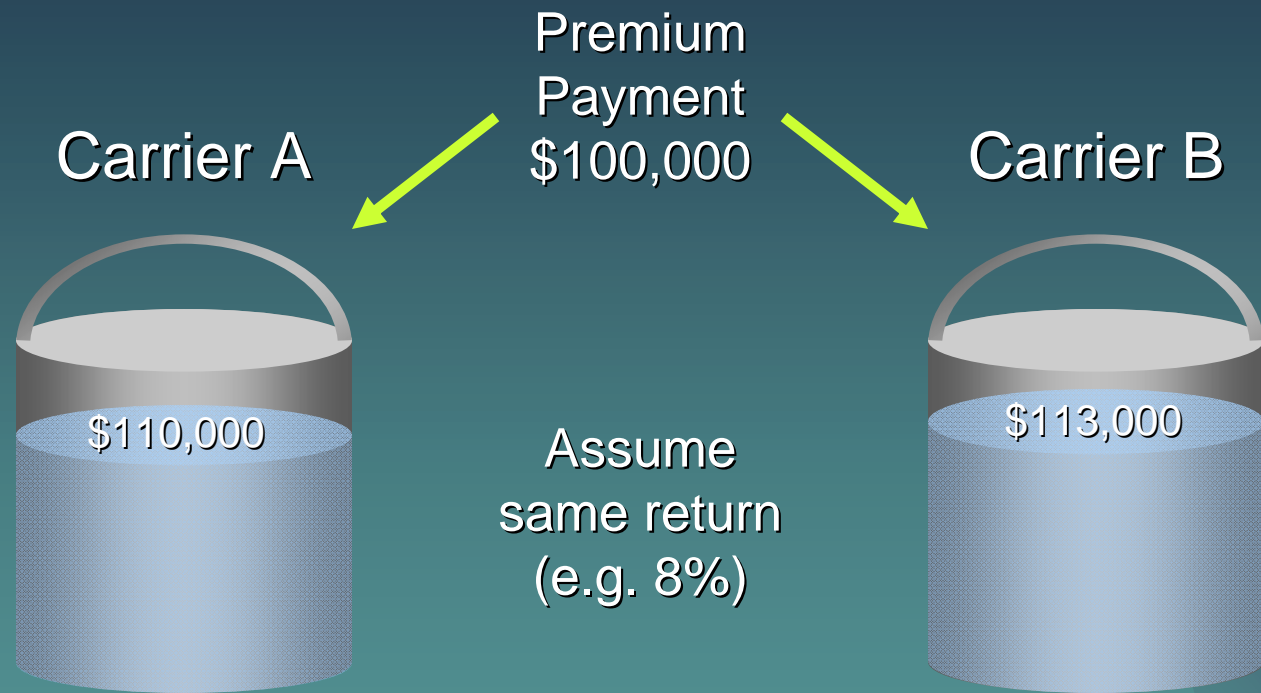
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Judging Illustrations

Computer generated ledgers

- Standardized format
- Show current and guaranteed charges
- Best assessment: current charges with reasonable return (7-8%)
- Three primary variables

Policy Death Benefit \$2,000,000



What accounts for the difference?

Comparison

- Identify multiple “brand” companies with COLI histories
- Run illustrations with:
 - Same death benefits
 - Same premium payments
 - Same rates of return
- Examine cash values in selected years

Comparison

- Can obtain exact charges (if you're an engineer)
- Will need help of licensed broker
 - Avoid captive agents
- Look for in-force re-pricing, guaranteed issue, servicing capabilities

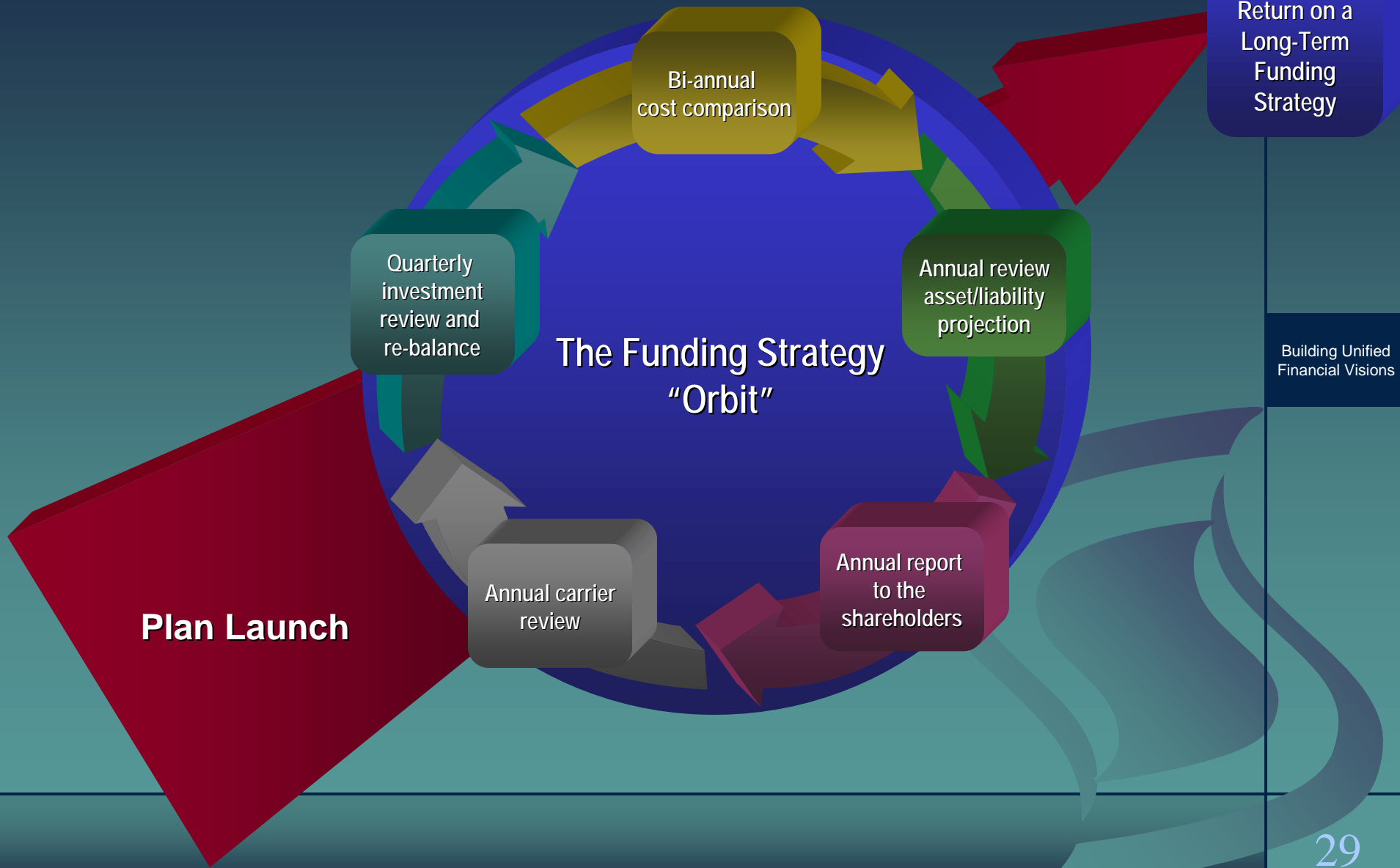
Long-Term Success



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A straightforward approach for
maximizing value

Plan Funding Strategy



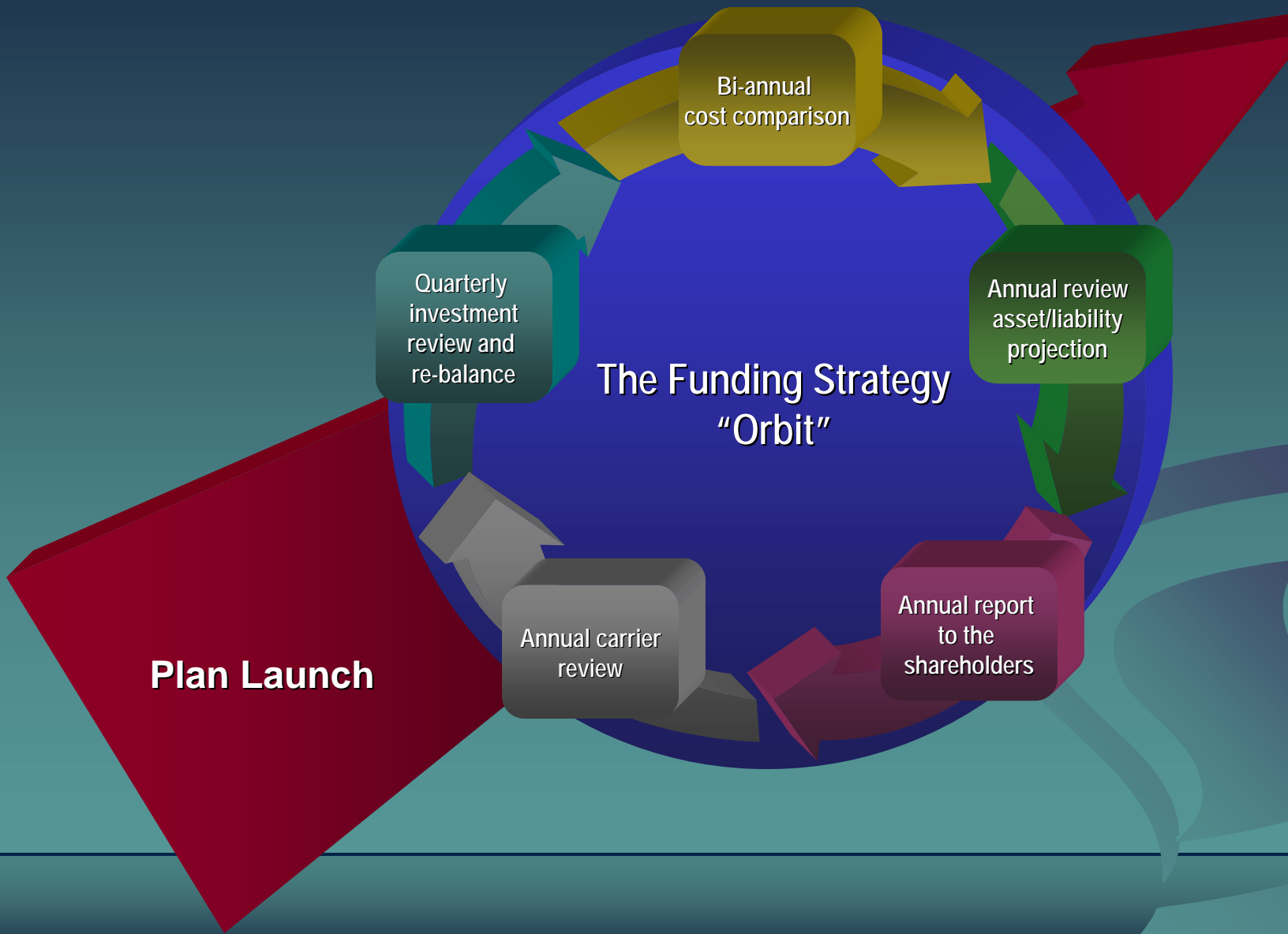
Carrier review

- Solvency and stability
- Market commitment
- New product upgrades
- In-force re-pricing
- Underwriting concessions

Investment standards

- Fund analysis (peer comparison)
- Fund selection
- Fund replacement
- Allocation selection
- Re-balancing standards

Plan Funding Strategy



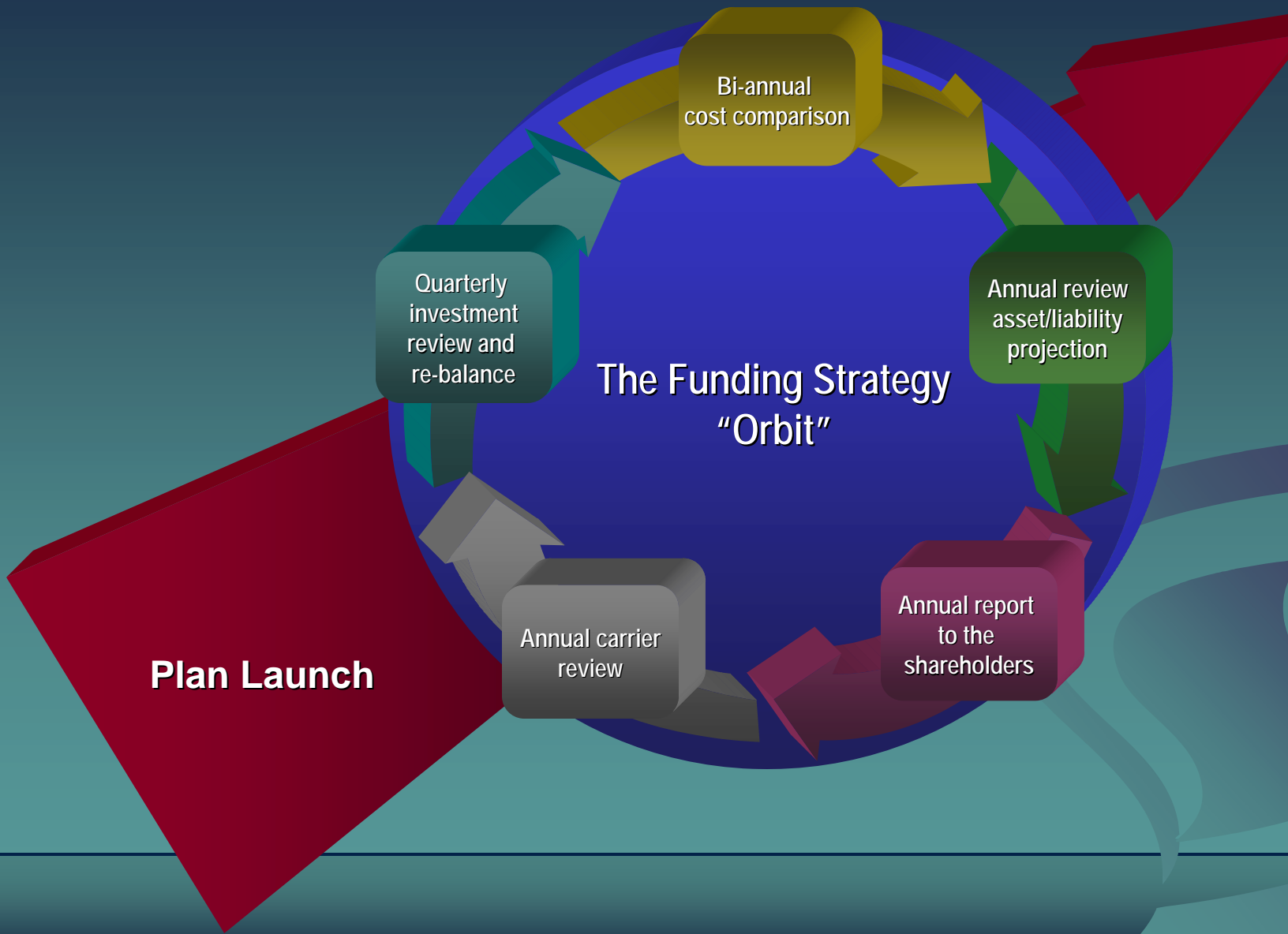
Maximizing the Economic Return on a Long-Term Funding Strategy

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Cost standards

- Internal cost standards (peer comparison)
- 7-pay management
- Policy changes (drop, add, replace)

Plan Funding Strategy



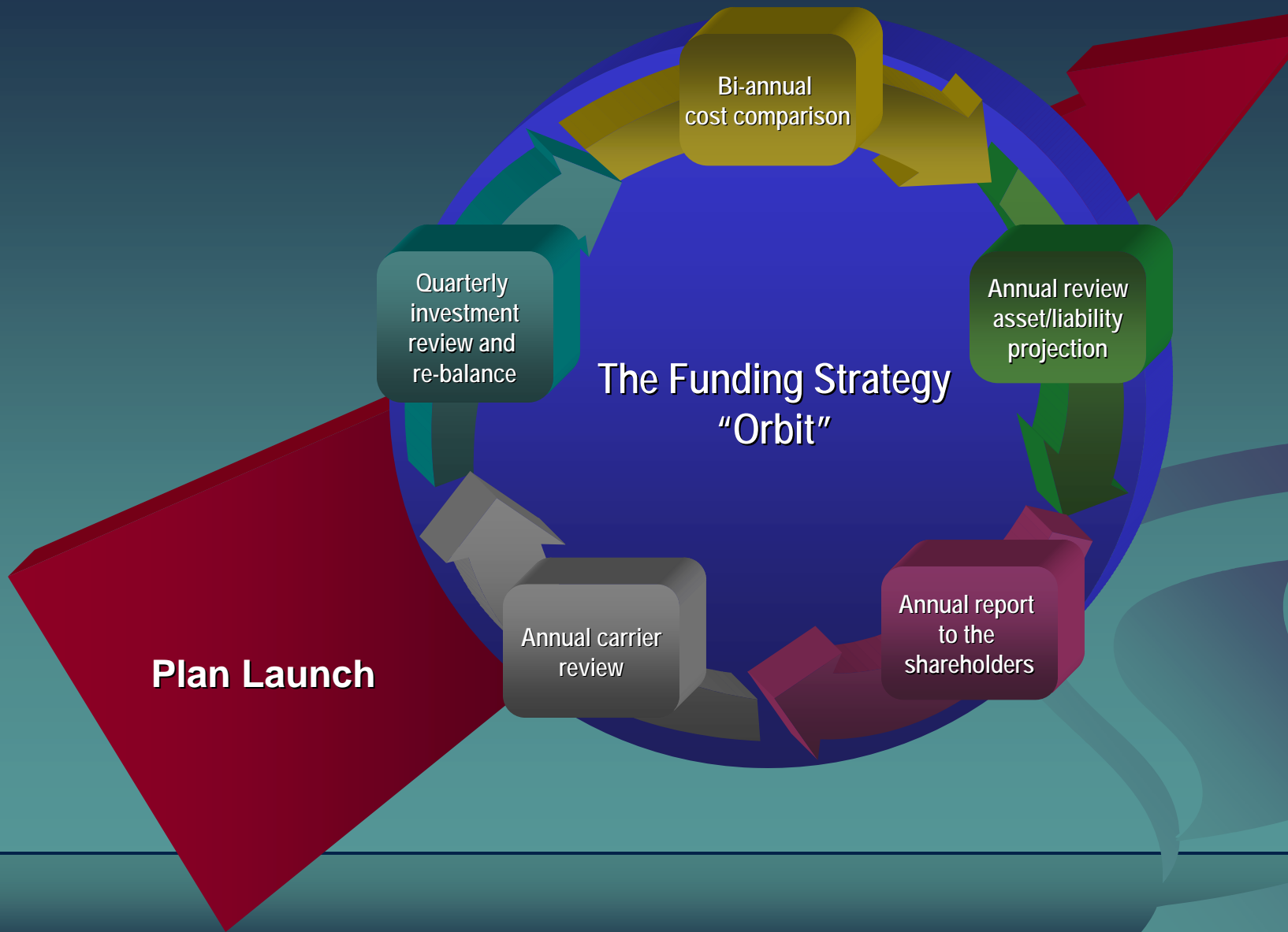
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Asset/liability projection

- Current gap (if any)
- Cash flow view
- What return will be needed?
- What contribution level will be needed?

Plan Funding Strategy



Maximizing the Economic Return on a Long-Term Funding Strategy

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Annual report to the shareholders

- Here's our current funding position
- Here are our investment strategy and procedures
- Here's our cost review
- Here's our carrier review
- Here's our recommendations



Observations

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Best asset or worst asset?

Thank you for attending

Please complete our survey form immediately following our presentation.

We value your input.

You may request a copy of our slides.

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Thank You!



Tom Miller

President

949-265-5700

tmiller@vladvisors.com

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