

Employer Owned Life Insurance
Prospecting Letter to business owners not currently clients.



[Date]

[Prospect Name]
[Address]
[City, State, Zip Code]

Subject: Important Information Regarding Income Tax on Business Owned Insurance

[Dear Prospect:]

As a successful business owner I am sure that you are aware that many businesses like yours frequently purchase life insurance on the lives of the business owners and on the lives of other key employees. The purposes can range from funding buy-sell agreements to key person protection.

You may not be aware, however, that based on changes made to the Federal Tax Code in 2006, life insurance death benefits paid to an employer may be subject to income tax. Employer Owned Life Insurance purchased or materially changed after August 17, 2006, must meet specific exceptions AND comply with the IRS "notice and consent" procedure.

The IRS recently issued a new bulletin, Notice 2009-48, that addresses some of the open questions created when the tax code was changed in 2006. If your business purchased life insurance on your life, the life of a business partner or the lives of any of your employees, the death benefit paid may be subject to income tax unless a specific exception is met and notice requirements were addressed at the time of purchase or change.

In addition, beginning with tax years ending after November 17, 2007, employers are required to file a report with their tax return regarding life insurance subject to the EOLI "Notice and Consent" requirements.

If you are an "employer" and insurance has been purchased on the lives of your employees or other owners, you should talk with someone regarding the current rules, how they might impact you and how you may protect the tax free nature of your business owned life insurance. I would welcome the opportunity to meet with you.

I will give you a call sometime next week to see when you might have time to discuss this concern. If you have any questions, you may call me as well.

Best regards,

[Advisor Name]

Freundt & Associates Insurance Services, Inc.

Aliso Viejo Office
27412 Aliso Creek Road
Aliso Viejo | CA | 92656
T: 949.268.1777 F: 949.362.3227
TF: 888.553.6093

San Diego Office
9171 Towne Centre Drive, Suite 200
San Diego | CA | 92122
T: 858.764.2988 F: 858.793.5388
TF: 800.441.0140

Kansas City Office
6900 College Blvd. | #420
Overland Park | KS | 66211
T: 913.451.3737 F: 913.451.3337

www.thepg.com