



The  
SFL  
EPIC  
Plan



Small businesses are facing more competition than ever from large corporations. Oftentimes, it is difficult for a small-business owner to compete with the attractive, and often tax-deductible, benefit packages larger corporations are able to offer their employees.

There is, however, a way small business can provide affordable benefits for their employees. The solution involves the use of section 419A(f)(6) of the Internal Revenue Code. Section 419A(f)(6) allows businesses to make a tax-deductible contribution to a plan with certain characteristics.\* The plan, in turn, provides eligible employees with valuable employee benefits.

Security Financial Life has had such a plan, the SFL EPIC Plan, available for more than a decade. Employees covered under the SFL EPIC Plan benefit from:

- Group term life insurance protection
- The right to convert their group term insurance based upon their age at the time they started with the business (entry age).

The benefits provided by the SFL EPIC Plan create a competitive benefits package for employees and allow the small-business owner to compete more effectively against larger corporations.

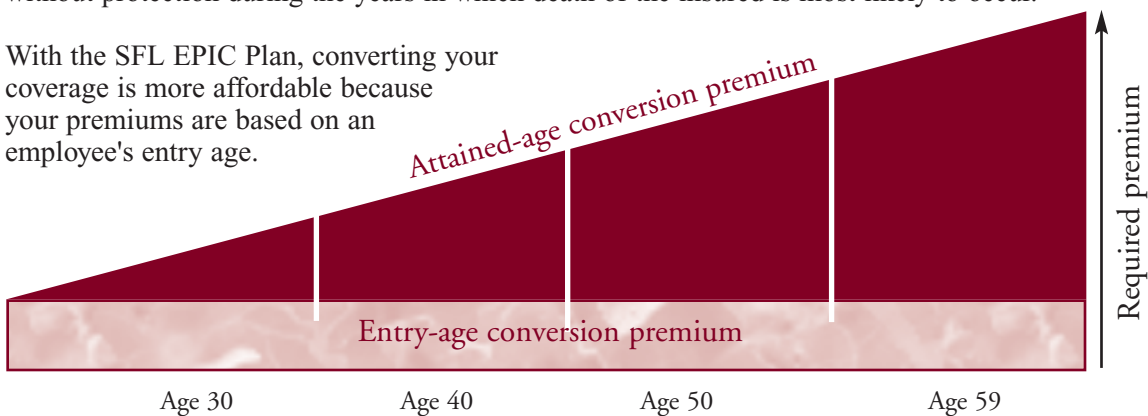
#### Advantages of participation:

- **Beneficiary protection through group term life insurance**
- **Tax-deductible\* contributions for the employer**
- **Income tax-free\* death benefits**
- **Opportunity for estate tax-free\* death benefits**
- **Conversion to permanent policy based on the employee's entry age.**

## Continuing Coverage

It is well-established that the older you are when you convert from traditional group term insurance, the higher your individual insurance premium will be. This is most certainly why less than 2 percent of group term participants actually convert their coverage. Usually, this leaves beneficiaries without protection during the years in which death of the insured is most likely to occur.

With the SFL EPIC Plan, converting your coverage is more affordable because your premiums are based on an employee's entry age.



*\*The deductibility of contributions made to the plan, and the taxation of such contributions to controlling shareholders or employees, will ultimately depend upon the facts and circumstances surrounding each employer's participation in the plan. Security Financial Life does not provide legal or tax advice and does not authorize any of its agents to provide such advice. All questions of a tax or legal nature should be directed to your independent legal or tax advisors.*



## Example

Take, for example, Jones & Hoskins Design, LLC, a small engineering firm with four full-time employees.

Employee Census			
Employee Name	Age Today	Entry Age	W-2 Income
Roberta Jones	55	35	\$ 225,000
Allen Hoskins	53	40	\$175,000
Jason White	32	28	\$36,000
Aaron Williams	50	42	\$42,000

If this employer were to participate in the SFL EPIC Plan and choose to offer death benefits in an amount equivalent to five times each employee's income, the likely costs for these benefits are as follows:

10-Year Cost/Benefit Summary		
Employee Name	Death Benefit	Average Yearly Cost
Roberta Jones	\$1,125,000	\$84,713
Allen Hoskins	\$875,000	\$66,403
Jason White	\$180,000	\$2,171
Aaron Williams	\$210,000	\$15,716
<b>Total</b>	<b>\$2,390,000</b>	<b>\$169,003</b>

Each employee receives death benefit protection and the right to convert their group coverage based on their entry age.

**Let's look at what happens when one employee, Allen, gets sick and stop working at age 63:**

- **Without having to reprove his insurability, Allen is able to continue his death benefit after retirement.**
- **Under most group insurance scenarios, Allen may be required to pay annual conversion premiums based on his current age (63) of \$71,365. With participation in the SFL EPIC Plan, Allen is able to convert based upon his entry age (40) and more easily afford an annual \$14,553 premium.**
- **In addition to the more affordable conversion premiums, Allen and his beneficiaries benefit from the continued lifetime protection offered by an SFL Whole Life policy upon conversion after he leaves the group.**





## SFL EPIC Plan Frequently Asked Questions

**Q. What is a 419A(f)(6) plan?**

**A.** 419A(f)(6) plans are those designed to be in compliance with that section of the Internal Revenue Code. A plan must have 10 or more participating employers, and no one employer may contribute more than 10 percent of the total contributions received by the plan. In addition, a plan may not experience-rate with respect to individual employers or employees.

**Q. Do I have to cover all my employees?**

**A.** Yes, all non-collectively bargained employees who are U.S. citizens and who have worked at least one year (1,000 qualifying hours) and have reached age 21 must be included.

**Q. Is the Plan consistent with the 2003 Treasury Regulations regarding 419A(f)(6) plans?**

**A.** Yes. After reviewing the regulations, we have concluded that the SFL EPIC Plan, after some minor design changes, can continue accepting new employers and providing benefits to their employees consistent with the 2003 Treasury Regulations.

**Q. Does each employer have its own plan?**

**A.** No. There is ONE plan in which multiple employers participate—in this case, the SFL Employers Participating Insurance Cooperative (EPIC) Plan.

**Q. How is the death benefit provided?**

**A.** The SFL EPIC Welfare Benefit Plan provides, through Security Financial Life Insurance Co., a master policy with a current term insurance death benefit and a guaranteed conversion benefit for each covered employee.

**Q. What is a covered employees' obligation resulting from his/her employer's participation in the SFL EPIC Plan?**

**A.** An employee may report on his/her annual federal income tax return the amount of the current economic value of the term insurance death benefit. Your tax advisor can provide you with further information on how this is determined.

**Q. What happens if my business experiences a temporary financial setback?**

**A.** Part of a required contribution may be rescheduled due to temporary financial business hardship. The rescheduled payment is determined by the Plan administrator and must be repaid within a period of not more than 18 months.

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