

Participant-Funded Personal Pension Arrangements: Comparison



Key Consideration	Collateral Assignment Split Dollar (CASD)	Premium Finance Collateral Assignment Split Dollar	162 Bonus Plan	Premium Finance 162 Bonus Plan
Brief description	The Organization invests cash in a life insurance policy owned by the Participant, and policy values are assigned back as collateral. The Organization now has an income producing asset, and the Participant can take tax-free distributions	Same as CASD, but incorporates additional funds from outside lender	Similar to Roth IRA	Same as 162 Bonus Plan, but incorporates additional funds from outside lender
Minimum funding requirement (years)	4	5	4	10
Investment and gains protected	Yes	Yes	Yes	Yes
Flexible contributions	No	No	Moderate	Moderate
Liquidity	High	Restricted, until third party lender is repaid	High	Restricted, until third party lender is repaid
Tax deferred accumulation	Yes	Yes	Yes	Yes
Retirement benefits taxable	No	No	No	No
Additional risk above investment performance	None	Yes, dependent upon third party lender being repaid	None	Yes, dependent upon third party lender being repaid
Complexity of plan	Moderate	Complex	Low	Complex
Benefits reportable on form 990	No	No	No	No
Reduces reportable compensation on form 990	Yes	Yes	No	No
Subject to IRC 409A	No	No	No	No
Ownership	Participant	Participant or Trust	Participant	Participant or Trust
Additional outside collateral required	No	Depends on structure and terms of third party lender	No	Depends on structure and terms of third party lender
Ability to increase leverage	None	High	None	Moderate
Performing asset for employer	Yes	Yes	No	No
Additional life insurance coverage	Moderate	High	Moderate	Moderate to high