

# Bank Owned Life Insurance (BOLI)

## Do you:

- Want to increase your bank's earnings 2-2.5% per year?
- Desire increasing the overall bottom line value of your bank?
- Desire offsetting existing "fringe" benefits for the key executives of your bank with or without adding any new executive benefits?

Then you owe it to your financial institution to explore implementing a BOLI strategy!!

## What Is BOLI ?

Bank Owned Life Insurance (BOLI) was developed as a preferred method to informally fund non-qualified benefit liabilities for key executives of financial institutions. Today, Community Banks utilize BOLI as a means of financing existing executive fringe benefits and employment expenses. In most cases, the existing expenses incurred by the bank are adequate for regulatory compliance and often will not require any additional executive benefits to be implemented.

The OCC, starting with technical bulletin 2000-23 and reaffirmed recently with 2004-56, provides guidelines for banks to ensure that bank purchases of life insurance are consistent with safe and sound banking practices.

The BOLI transaction involves a reallocation of Tier I capital assets. The return on the BOLI asset will always exceed the alternative allowable investment for Tier I capital (i.e. Fed Funds and/or 1 year Treasuries). The BOLI cash value is considered relatively liquid, grows on a tax-deferred basis, and offers minimum guaranteed rates of return. In addition, upon the death of the insured individuals, the financial institution directly receives the death benefit proceeds income tax free.

## Why BOLI ?

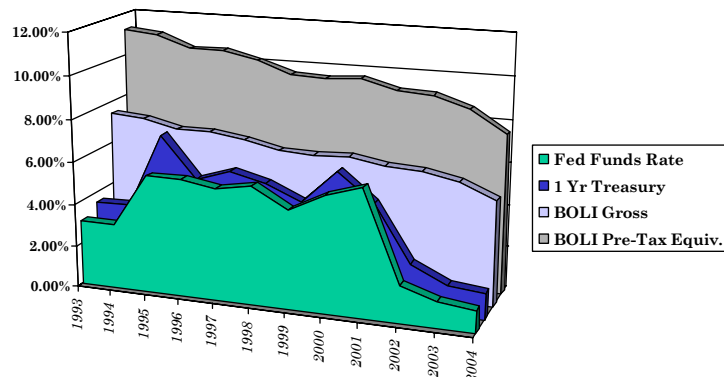
- Returns 2% to 2.5% greater on average than alternative investment vehicles allowed for Tier I Capital
- No regulatory or investment risk to the financial institution under the CES BOLI Strategy program
- Asset allows liquidity in that a surrender can be made without any surrender charges or other penalties
- All due diligence provided by independent Third Party Administrator engaged directly with bank
- BOLI provides increased earnings immediately showing up on the bank's "bottom line"
- A \$250,000 increase in earnings generates increased stock value as much as \$5,500,000

(Community Banks are valued at a 22 to 1 price earnings premium value)

## Investment Alternatives\* :

<input type="checkbox"/> Fed Funds	4.00%
<input type="checkbox"/> 1 year treasury	4.19%
<input type="checkbox"/> BOLI Gross Rate	6.43%
<input type="checkbox"/> BOLI Pre-Tax Equivalent Rate	9.73%

\* All rates reflect an average of actual rates between 1993 and 2004.



Unique Needs Require Unique Solutions.