

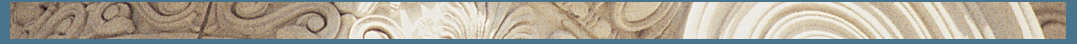


M Benefit Solutions
Bank Strategies®

An M Financial Group Company

THE BOTTOM LINE

EXECUTIVE AND DIRECTOR BENEFITS AND BOLI



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Highlights of this Issue

- Adoption of 2017 CSO Mortality Table
- Executive Benefit Plan Spotlight
- IRS Announcement—Qualified Pension Plan Limitations for 2020
- Meet a Managing Associate

Adoption of 2017 CSO Mortality Table

As mentioned in a previous, “The Bottom Line” article, a new life insurance standard mortality table (2017 CSO) has been adopted by the National Association of Insurance Commissioners, which was effective January 1, 2017; however, the table’s incorporation into insurance products will become mandatory on January 1, 2020. State regulators require the prevailing CSO table to be used to set maximum cost of insurance charges, and determine minimum policy reserves and nonforfeiture values. The prevailing CSO table is also used for 7702 and 7702A tax testing.

The table improves mortality at most ages for both men and women, which may result in lower premiums for a given death benefit.

Other results of incorporating the 2017 CSO table will vary by insurance product and the particular circumstances of clients.

Products which benefit from the 2017 CSO mortality table, such as term insurance, have already been implemented using the new table.

Products that may be adversely affected by the table are not expected to be issued until January 1, 2020.

For reserve purposes in-force policies are grandfathered to the prevailing CSO table on which the policy form was issued. For tax compliance, policies issued prior to January 1, 2020 are likewise expected to be grandfathered.

Executive Benefit Plan Spotlight

This article is the latest in a series about executive benefit plans. We will discuss various types of executive or director benefit plans to boost knowledge about the options available to our valued clients.

Supplemental Executive Retirement Plan (Defined Benefit Plan)

The Supplemental Executive Retirement Plan (SERP) is structured to allow banks to provide retirement benefits to their key executives that are above the limitations placed on qualified plans. These benefits will aid the bank in retaining and rewarding key executives.

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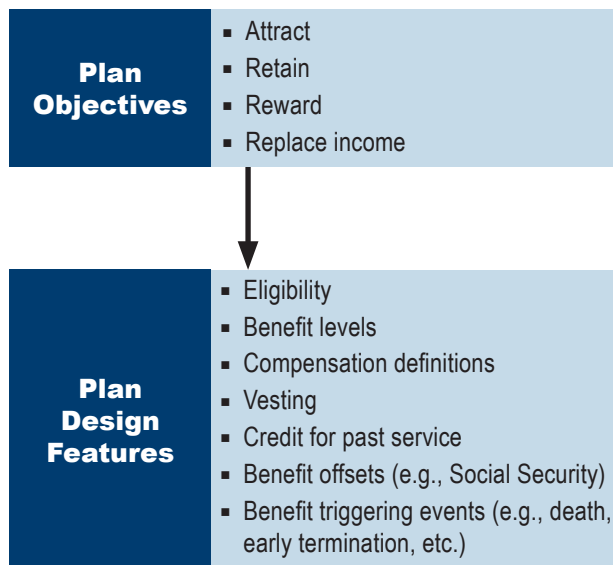


Design

A Defined Benefit SERP can also be known as Salary Continuation Plan and these types of plans are the most common types of nonqualified benefit plans provided to key employees. Through these plans, a series of payments are made at retirement or some other pre-defined occurrence or future date. Benefit amounts are typically a flat dollar amount or defined by a function of either participant compensation, age and/ or service.

Cost

Benefits are relatively predictable for retirement planning purposes and accounting impact. Benefits generally must be accrued for over the working lives of the participants. These charges represent “employee benefit expenses” on the income statement of the bank.



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SAMPLE DEFINED BENEFIT SERP STRUCTURE

Participant	Bank Executive
Current Age	55
Retirement Age	65
Target Benefit	50% of Final Average Compensation (Less Offsets)
Retirement Benefit	\$100,000
Benefit Years	15
Total Retirement Benefit	\$1,500,000

Benefits to Employer

- Straightforward to design, communicate and administer.
- High design flexibility.
- Used to attract, retain, and reward key executives.

Benefits to Employee

- Provides employee with specific benefit to aid in retirement planning.
- Helps key employees replace retirement compensation lost as a result of limitations placed on qualified plans.

Upcoming Events

2020 ICBA Community Banking LIVE®

March 8–12, 2020

Orlando, FL

icba.org/LIVE20



The FMS Forum

June 14–16, 2020

Scottsdale, AZ

fmsinc.org



IRS Announcement—Qualified Pension Plan Limitations for 2020

The Internal Revenue Service recently announced cost-of-living and statutory dollar limitations for qualified pension plans for 2020. Some of the changes are listed below.

Provision	2019 Limit	2020 Limit
401(k) Elective Deferral Limit		
Annual employee contribution to 401(k) plans	\$19,000	\$19,500
Additional 401(k) contributions for employees age 50 or over	\$6,000	\$6,500
Maximum Compensation Limit		
The amount of annual compensation that can be taken into account when determining plan benefits	\$280,000	\$285,000
Defined Benefit Limit		
The maximum annual straight-life benefit at age 65 (not to exceed 100% of average annual compensation)	\$225,000	\$230,000
Defined Contribution Limit		
The maximum annual contribution to a defined contribution plan (not to exceed 100% of compensation)	\$56,000	\$57,000
Highly Compensated Employee Definition		
Dollar limit on who is considered a highly compensated employee	\$125,000	\$130,000

Social Security Facts

The combined tax rate for Social Security and Medicare for an employee is 7.65%. The Social Security portion (OASDI) is 6.20% on earnings up to the applicable taxable maximum amount.

The Medicare portion (HI) is 1.45% on all earnings. There is an additional 0.9% Medicare tax on all earnings above certain threshold amounts (\$250,000 in wages for married filing jointly and \$200,000 for single taxpayers). These thresholds are not indexed for inflation. For a married couple, filing a joint return, the additional 0.9% tax is on the combined earnings of the employee and the employee's spouse.

Tax Rates	2019	2020
Employee	7.65%	7.65%
Self-Employed	15.30%	15.30%

Maximum Taxable Earnings	2019	2020
Social Security (OASDI only)	\$132,900	\$137,700
Medicare (HI only)	No Limit	No Limit



Meet a Managing Associate

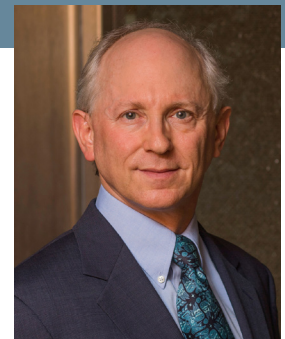
M Benefit Solutions has been an innovator in the nonqualified plan space for over four decades. Over these decades, we have been privileged to employ extraordinary people, including our Managing Associates. Managing Associates oversee and partner with our staff of client associates to deliver the exceptional level of service and support our clients and Member Firms deserve. Our Managing Associates are industry experts and client-service leaders, but each brings something unique to our office. We want to introduce them to you here, and allow our clients and Member Firms the opportunity to learn more about the people that are differentiators in our office and industry.

Kevin Segal

Kevin has been with M Benefit Solutions for two years and arrived with over twenty-six years of industry experience. Years ago, Kevin challenged himself to master every facet of the industry, from plan design and technical consulting to client-service and plan administration. In addition to his uncanny memory for tax code and regulations, Kevin is a gifted parodist, penning songs about life insurance and nonqualified plans. His rendition of “COLI” set to “Lola” by The Kinks is an office favorite and a hit at conferences.

Kevin earned his B.A. and M.A. in mathematics from California State University, Fullerton, and went on to become an Associate of the Society of Actuaries. His wealth of experience and clear, cogent explanations had an immediate and immeasurable impact on our company and clients. Recently, Kevin created a series of life insurance and executive benefit training seminars for our associates and staff. In these courses, associates of all experience levels learn complex concepts and gain a better understanding of our industry, helping them provide exemplary service to our clients. As our resident

professor, Kevin makes even the driest topics fun and understandable. If you want to see for yourself, pick up a copy of *101 Things Everyone Should Know About Math*, a book co-authored by—you guessed it—Mr. Segal!



Outside of the office, Kevin enjoys spending time in Portland with his wife and their two children. As recent transplants to Portland, the Segals try to visit a new restaurant whenever they go out to eat. Eat, sleep, but don't repeat the restaurant! Currently, their favorite is “a Cena,” an Italian restaurant in the Sellwood neighborhood. Kevin also appreciates walking around the various farmer's markets scouring the produce, herbs, and spices for new home cooking adventures. After an adventure, Kevin enjoys walking off his meal in the Crystal Springs Rhododendron Garden, taking in the peaceful atmosphere and over 2,500 flowers and plants the garden has to offer. ■



Advisor Firms

M Benefit Solutions - Bank Strategies is structured to provide our clients with consistent nationwide coverage. We have identified several Advisors with extensive experience in bank executive and director benefits and BOLI to provide consulting services to clients nationwide.*

Distributed throughout the country, these Advisors work with M Benefit Solutions and bank clients to design programs which meet each bank's specific needs and to ensure high quality administrative and compliance services.

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*These Advisors represent independently operated firms and are registered with M Holdings Securities Inc. a registered Broker/Dealer, Member FINRA/SIPC. M Benefit Solutions and M Holdings Securities, Inc. are affiliated companies.

**This advisor is registered with SWBC Investment Services, LLC, a registered Broker/Dealer, Member FINRA/SIPC.

About M Benefit Solutions - Bank Strategies

M Benefit Solutions - Bank Strategies, based in Portland, Oregon, is a division of M Benefit Solutions, a Subsidiary of M Financial Group. Please go to mfin.com/disclosure for further details regarding this relationship. M Benefit Solutions is a recognized leader in the community bank executive and director benefits and BOLI marketplace. Through a network of firms located in key markets across the country, M Benefit Solutions - Bank Strategies helps banks attract, retain, and reward key executives and directors through the design, implementation, and administration of benefit programs that aim to maximize the use of a bank's financial resources. M Benefit Solutions - Bank Strategies is the Independent Community Bankers of America's (ICBA) Preferred Service Provider for executive and director benefits and BOLI. For more information, please visit boli.mben.com.

The information incorporated into this presentation has been taken from sources, which we believe to be reliable, but there is no guarantee as to its accuracy.

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ICBA preferred service providers are chosen by the ICBA Bank Services Committee. For details, please visit the following website address: icba.org/psp.

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