

BOLI: BANK OWNED LIFE INSURANCE

Improving the Bottom Line of Banks and Financial Institutions through Customized, Strategic Solutions

Bank Owned Life Insurance (BOLI) is a form of life insurance purchased by banks where the bank is the owner/beneficiary of policies. It's an allowable transaction under the Interagency/OCC 2004-56 and its business purpose is defined as financing employee benefit liabilities/costs. A BOLI policy's initial cash value is 100% of the initial premium paid. Inside build-up of the policy's cash value is tax-deferred and death benefit proceeds are received tax-free.

FINANCIAL BENEFITS

BOLI enables banks to generate tax-advantaged income to offset and recover the costs of employee benefit plans, whether healthcare, group term insurance, retirement, deferred compensation and more.

It generates stable revenue from non-loan sources and enhances the Other Non-Interest Income component of the income statement. BOLI also provides competitive returns with superior credit quality and increases earnings per share (EPS) and shareholder value. In today's BOLI marketplace, policies are designed to remove policyowner's interest rate and mark-to-market risk allowing for continued, steady policy growth. Beyond that, if desired BOLI allows the bank to share a portion of the life insurance coverage with key executives, allowing for competitive recruitment and retention.

MISCONCEPTIONS

- » A BOLI plan must include all bank officers on a non-discriminatory basis
- » If a life insurance carrier is more highly rated, it must offer banks lower interest rates
- » All BOLI carriers offer generally similar BOLI products and investment portfolios
- » BOLI is an illiquid asset that the bank cannot get rid of
- » All BOLI producer groups provide the same level of service and support

BENEFITS OF BOLI

- ▶ GENERATE TAX-ADVANTAGED INCOME AND RECOVER THE COST OF EMPLOYEE BENEFITS
- ▶ GENERATE STABLE REVENUE FROM NON-LOAN SOURCES ENHANCES THE OTHER NON-INTEREST INCOME COMPONENT OF THE INCOME
- ▶ PROVIDES COMPETITIVE RETURNS WITH SUPERIOR CREDIT
- ▶ INCREASE EARNINGS PER SHARE AND SHAREHOLDER VALUES
- ▶ PROVIDES INSURANCE DEATH BENEFITS FOR INSURED
- ▶ PROTECTS BANK AGAINST LOSS OF KEY EXECUTIVES

LONGSTANDING COMMITMENT TO THE BANKING INDUSTRY AND YOUR BOTTOM LINE

BFS-MC Group is a national provider of strategic financial services, committed to the banking industry and to improving your bottom line. With a smart business succession plan, we're here for the long term to provide you with the service and stability you need when implementing BOLI, non-qualified benefit plans and compensation strategies for your bank. As a trusted name in the industry with decades of experience, you can count on us for strategy, expertise and results.

ABOUT BFS-MC GROUP

BFS-MC Group is a national provider of strategic financial services that improves the bottom lines of banks and financial institutions through customized, strategic solutions. We maintain a long-term commitment to the banking industry and provide financial institutions with an advanced technology platform and smart solutions and support systems to ultimately increase their stability and success.



Contact BFS-MC Group to get started today.

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