

SUPPLEMENTAL RETIREMENT INCOME

Will you be able to maintain your standard of living in retirement?

As a successful small business owner you have established a qualified plan for you and your employees to save for retirement, such as a 401(k) plan. You and your key executives recognize the need to put funds aside beyond the qualified plan limits to maintain your standard of living in retirement. The business may want to consider a nonqualified alternative using cash value life insurance, particularly a variable life insurance product, in addition to the qualified plan.

What is it?

In its simplest form, it's a life insurance policy on the key employee(s) and/or the business owner(s). The death benefit provides protection for the business in the event of an unexpected death. The cash values can provide additional income during retirement. The amount of income depends upon the returns on the cash value.

Funding the life insurance policy can be done in several ways. Two of the more common funding options include a deferred compensation agreement or an executive bonus arrangement. See our other marketing materials for a more detailed explanation of each. With the deferred compensation method, the business

owns the policy. The premiums will not be tax-deductible to the business, but the payouts to the retiree would be tax deductible for the business and taxable to the retiree at the time of payment. Under the executive bonus method, the policy is owned by the employee, and the premium payments are generally tax deductible for the business and treated as income to the employee.

No matter how you choose to fund it, life insurance has some inherent advantages that can make this an attractive option. The cash value inside of the life insurance grows tax-deferred and there are no taxes due until the cash values are withdrawn.¹ The death benefit can be income tax-free.² Under business-owned arrangements excess death benefit beyond the amount allocated to business uses can be designated to the employee's beneficiaries.

If a variable universal life policy is used, the contributions can be invested in one or more of the many subaccounts and have growth potential tied to the stock market. Those employees currently investing in the company's 401(k) plan may more readily relate to the variable life insurance approach.

Benefits to the employer

- The life insurance can be an additional fringe benefit to help attract and retain quality employees
- It's easy to install. No IRS approval is needed
- Can choose control over the benefit or income tax deduction

Benefits to the employee

- Creates an additional retirement income source in addition to any existing qualified plans
- Any death benefits received by the employee's beneficiaries are generally income tax-free
- Depending on the funding options, it may reduce the employee's current income tax liability and postpone current income tax until after retirement when they may be in a lower tax bracket

¹Surrenders from life policies are generally taxed as ordinary income to the extent the surrender proceeds exceed the policyowner's investment in the contract, which is also called the "basis". Loans are generally not taxable if taken from a life insurance policy that is not a modified endowment contract. Unpaid interest on loans is added to the loan principal, thereby increasing the total debt on the policy. The combination of an increasing loan balance, and deductions for contract charges and fees, may cause the policy to lapse, triggering ordinary income tax on the outstanding loan balance to the extent it exceeds the cost basis in the policy. If a policy is a modified endowment contract, loans, withdrawals and surrenders are treated as taxable distributions to the extent of the policy gain and may also be subject to an additional 10% penalty tax if made prior to the policyowner's age 59 1/2. Note that there is no exception from the penalty tax when the policyowner is not an individual person. Loans, if not repaid, reduce the policy's death benefit and cash surrender value.

²Death benefits and tax deferred cash accumulation may be subject to the corporate Alternative Minimum Tax (AMT). The Pension Protection Act of 2006 limits the death proceeds an employer can exclude from income when the insured does not meet the definition of a highly-compensated employee or of a highly-compensated individual. The Act also imposes specific requirements that the employer notify the individual about the insurance, secure his written consent and submit annual reports to the IRS.

Not FDIC, NCUA/ NCUSIF insured	Not insured by any federal government agency	Not a deposit	No bank or credit union guarantee	May lose value
-----------------------------------	---	---------------	--------------------------------------	----------------

This information is provided for general consumer educational purposes by Lincoln Benefit Life, Home Office, Lincoln, NE, and is not intended to provide legal, tax or investment advice. Lincoln Benefit Life issues fixed and variable insurance products that are sold through agreements with affiliated or unaffiliated broker-dealers or agencies. Lincoln Benefit Life's variable products are sold by registered representatives, investment advisors, and agents or bank employees who are licensed insurance agents. ALFS, Inc. serves as principal underwriter of SEC-registered contracts for Lincoln Benefit Life. ALFS, Inc and Lincoln Benefit Life are wholly owned subsidiaries of Allstate Life Insurance Company, Northbrook, IL.

Variable universal life policies are long-term investments designed to provide life insurance protection and flexibility in connection with premium payments and death benefits. You should carefully consider the investment objectives, risks, charges and expenses of the investment alternatives available under the variable universal life insurance policy before purchasing a policy or investing money. These policies have limitations and are sold by prospectus only. The prospectus contains details on the variable universal life insurance policy, the sub-accounts, policy features, fees, charges, expenses and other pertinent information. Please read the prospectus carefully before purchasing a contract or sending money. You may obtain copies of the prospectus from your registered representative or by visiting our website at www.accessallstate.com.

Guarantees are based on the claims paying ability of Lincoln Benefit Life Company.

Effective Date 10/06

©2006 Allstate Insurance Company, Home Office, Northbrook, IL