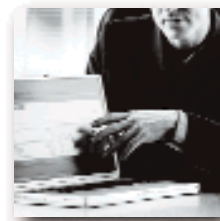


CREATING AN EMPLOYEE WELFARE BENEFIT PLAN USING LIFE INSURANCE



 NICHE MARKETING, INC.
NICHE PLAN SPONSORS, INC.

The Single Employer Welfare Benefit Plan

What Is a Welfare Benefit Plan?

A welfare benefit plan is an employee benefit program providing benefits not available in retirement income plans, such as a pension or profit sharing plan, or in "cafeteria" plans, such as flexible spending accounts. Welfare benefits allow the business to provide needed employee "perks" for its employees. Contributions are deductible to the business, up to the allowable limit - and often, benefits are paid to the employee or his/her beneficiary without any reportable income tax.

An employer may provide benefits for the owner and non-owner employees with some benefits available for their dependents. The benefits that may be provided generally include:

- ▲ Post retirement medical benefits, including physician and medical facility fees, prescription drugs, deductibles and co-pays, and other health related expenses
- ▲ Life insurance protection
- ▲ Disability income benefits
- ▲ Severance benefits
- ▲ Long term care benefits
- ▲ And others



How Does A Single Employer Plan Work?

Each employer establishes their own plan, selects the desired benefits and benefit levels and determines the eligibility and participation criteria for its employees. The costs of the benefits are actuarially determined, and may allow flexibility with respect to funding obligations from year to year. Assets are held by an independent Trustee for the benefit of the participants.

All plan implementation and operational services are provided at a low cost to the employers, including plan documents, annual reporting and filing requirements, and benefit statements. Actuarial certification is provided by an independent actuarial firm.

Individual employers can determine how to "design" their plan to meet the needs of the business and the participants. Niche Marketing can help illustrate the benefits, advantages and costs, along with estimates of the amounts deductible for each employee's benefits. We monitor the actuarial and administrative services through quality service providers so the business can focus on its business and still provide this unique package of benefits.

What Benefits Are Usually Provided?

Life insurance benefits...

Most active workers need some form of life insurance protection; either to replace their income for their spouse and children, to fund a buy and sell agreement, or to help meet the taxes due at the death of the individual. A welfare benefit plan that includes death benefits will allow the business to purchase the coverage, deduct an amount up to the allowable limit, with only a small amount included in the employee/participant's annual income.

Post retirement medical benefits...

The potential post retirement costs of prescription drugs and nursing home care are escalating daily. Uncertainty about the stability of government programs, such as Medicare and Social Security, has resulted in businesses looking for alternative methods to help fund for these expenses. Our plan permits contributions, deductible to the business, to fund a post retirement account. Eligible health expenses paid to the participants are tax free.

What Is The Tax Treatment Of These Plans?

For the participating employer...

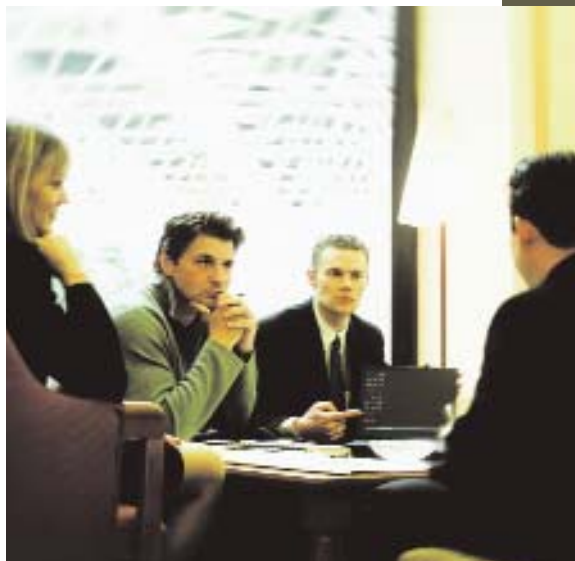
Contributions for the current year cost of coverage of the stated benefits is paid to the Trustee, and the employer can deduct the 'qualified direct cost' of those benefits. Generally, for post retirement medical benefits, the amount deductible will be the full amount funded. For other benefits, the Trust Administrator can estimate the amount deductible based upon the benefits selected and the products insuring the coverage.

For the participating employee...

The tax treatment varies based on the benefits being provided. Life insurance coverage creates an economic benefit cost that is includable in the participating employee's annual income.

The death benefit proceeds are income tax free* to the beneficiary, and it is possible to structure the plan so that the benefits could be estate tax free as well.

The employer's contribution to a trust that provides post retirement medical benefits will not create a taxable event. Eligible health expenses paid are income tax free to the employee, the spouse and dependents.



* Proceeds from a life insurance policy paid because of the death of the insured are generally excludable from the beneficiary's gross income for federal income tax purposes. IRC Sec. 101 (a)(1).

Are There Employee Participation And Vesting Requirements?

The selection of participating employees for death benefits is according to the business needs of the employer.

Post retirement medical benefits cannot discriminate in favor of the highly compensated employees and generally include employees over age 25, with three years of service, working 1000 hours per year, including leased employees. The employer establishes a retirement age and funding of benefits is determined based upon age at participation to age at retirement. If a participant leaves employment before retirement, he/she will not receive a benefit and their account balance will be held for the remaining participants. This encourages employee longevity, sometimes called "golden handcuffs".

What Business Forms Are Eligible?

All business forms are eligible to establish a welfare benefit plan, except sole-proprietorships and LLCs taxed as sole proprietors.

In Summary...

The Advantages of the Single Employer Trust

Benefits with tax advantages ...

- ▲ Benefits received by the employee and dependents enjoy favorable tax treatment.

Flexibility in contributions ...

- ▲ There are no minimum required annual contributions other than the life insurance policy minimum premiums.

Tax deductible contributions ...

- ▲ Employer contributions are currently deductible subject to qualified direct cost limitations.

Benefits are creditor safe ...

- ▲ Plan assets are owned by an independent trustee, therefore are beyond the reach of creditors.

Employee retention ...

- ▲ Employers can use the welfare benefit plan as an incentive program or "golden handcuffs" to retain valuable employees.



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