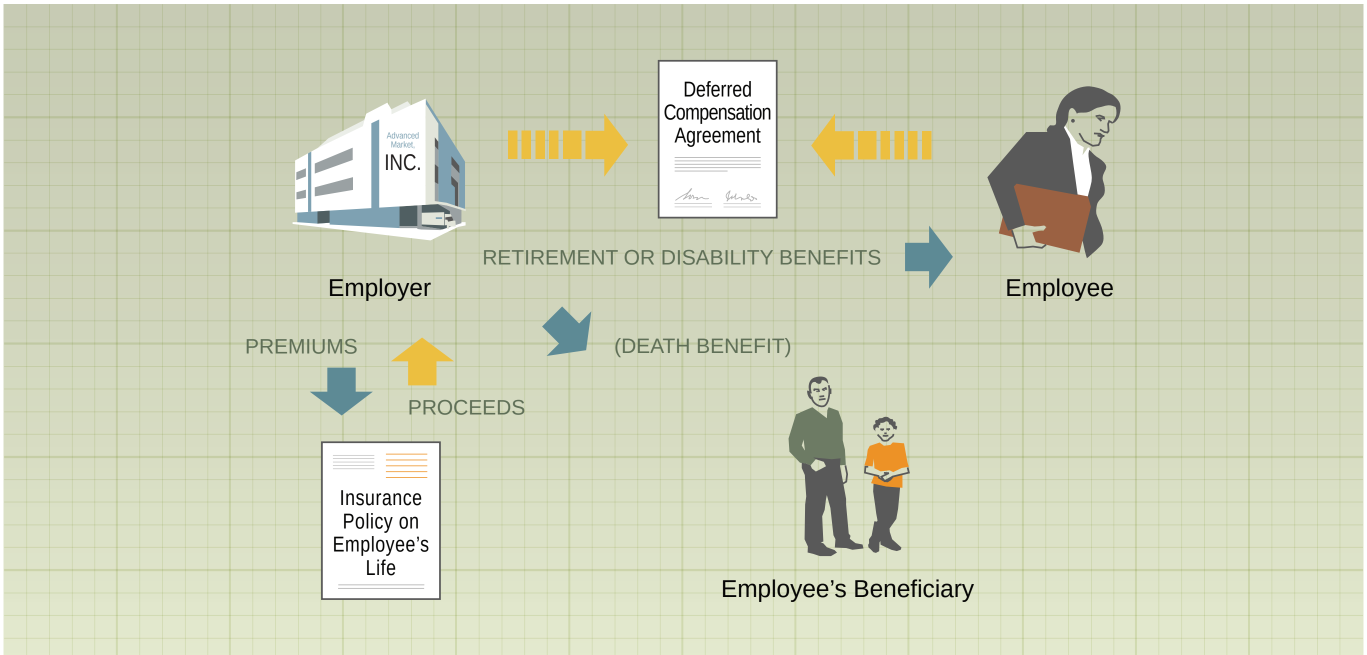
# How a Deferred Compensation Arrangement Works
## (Funded with Life Insurance)




The employer and employee enter into a written deferred compensation agreement. The employer gives the employee notice and obtains consent to buy life insurance.

The employer applies for an insurance policy on the employee's life to "informally fund" its obligations under the agreement.

When the employee satisfies the conditions to receive benefits, the employer begins to pay retirement (or disability) benefits from the policy values, subject to the federal income tax rules regarding policy withdrawals, loans and surrenders.

At the employee's death, the employer uses the insurance proceeds to pay a death benefit to the employee's beneficiary (if the arrangement so provides).

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