

› Tax Advantages Based on Plan Type

DISABILITY INCOME CHOICE AT WORK

Disability income insurance benefits can be set up in various ways to best fit your needs and that of your employees. Use this summary to learn more about some of the plan options available and the tax advantages or implications typically associated with them.

NONCONTRIBUTORY

In a noncontributory plan, the employer offers coverage to all employees and the employer funds the plan 100 percent with pre-tax dollars. The benefit is 100 percent taxable to the employee and the premiums are not reported as taxable income to the employee.

GROSS-UP

In this plan, the employer offers coverage to all employees and the employer funds 100 percent of the premiums with post-tax dollars. Because the employer pays with post-tax dollars, the benefit is tax-free. The premium is reported as taxable income for the employee via W-2 form.

TAX CHOICE (IRS Ruling 2004-55)

Here, the employee chooses whether premiums will be paid by the employer with pre- or post-tax dollars without the plan being considered a contributory plan. It's funded 100 percent by the employer. Options based on tax choices include:

- › Annual tax choice: Employee elects taxation annually
- › One time tax choice: Employees make irrevocable elections when they sign up for the plan
- › Negative tax choice: The employer pays premiums post-tax unless the employee elects to have it made pre-tax



CONTRIBUTORY (Core/Buy-up)

Both the employer and the employee 'go in together' on this plan. The employer will determine the portion of premium they will pay. Premium cost is shared and funded with pre- and post-tax dollars. The portion of premium paid for by the employer is the portion of the benefit that is taxable. The more an employer contributes, the more taxes will be taken out of the benefit the employee receives.

VOLUNTARY

Participation in this plan is the employee's decision and is funded 100 percent by the employee through payroll deductions using post-tax dollars. The premiums in this plan are tax-free and the benefits are tax-free.

Disability income insurance can help your employees protect their most important asset – their income. Make this essential insurance part of your benefits program.

Disability income insurance underwritten by:

MUTUAL OF OMAHA INSURANCE COMPANY

Mutual of Omaha Plaza

Omaha, NE 68175

mutualofomaha.com

Policy form numbers: D81M, D82M, D83M (or state equivalent). In OR and TX, D81M-22915/22916/22917/22918/22919, D82M-22920/22921/22922/22923/22924, D83M-22925/22926/22927/22928/22929; in ID, D81M-23714/23715/23716/23717/23718, D82M-23719/23720/23721/23722/23723, D83M-22925/22926/22927/22928/22929; in NC, D81M-23065/23066/23067/23068/23069, D82M-23070/23071/23072/23073/23074, D83M-23075/23076/23077/23078/23079; in OK, D81M-23110/23111/23112/23113/23114, D82M-23115/23116/23117/23118/23119, D83M-23120/23121/23122/23123/23124; in PA, D81M-23125/23126/23127/23128/23129, D82M-23130/23131/23132/23133/23134, D83M-23135/23136/23137/23138/23139; in WA, D81M-23245/23246/23247/23248/23249, D82M-23250/23251/23252/23253/23254, D83M-23255/23256/23257/23258/23259. These policies have exclusions and limitations. Products may not be available in all states. For costs and complete details of coverage, contact your licensed insurance agent/producer. Mutual of Omaha Insurance Company is licensed nationwide. The disability income benefits provided will be individual coverage not group coverage.

In New York, these policies provide disability income insurance only. They do NOT provide basic hospital, basic medical or major medical insurance as defined by the New York State Department of Financial Services. The expected benefit ratio for policy form numbers D81M-23410/23411/23412/23413/23414, D82M-23415/23416/23417/23418/23419 and D83M-23420/23421/23422/23423/23424 is 60 percent. The ratios are the portion of future premiums, which the company expects to return as benefits when averaged over all people with these policies.

This is a solicitation of insurance. By responding, you are requesting to have a licensed agent/producer contact you to provide additional information.