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Edward Jones

U.S. Taxation of Firm Paid Life Insurance

The firm pays insurance premiums on up to two life insurance policies for U.S. financial advisors. First, the firm provides all financial advisors with up to \$100,000 of group term life insurance (Basic Life). In addition, once a financial advisor reaches 5 years of service as a financial advisor they may be eligible to receive additional firm paid life insurance coverage (FA Survivor Life Benefit).

The value of firm paid life insurance coverage is taxable to both employees and partners (Service Partners and JV Service Partners); however, there are two differences in how the firm must determine taxable income.

1. The first \$50,000 of Basic Life coverage is exempt from taxation for employees, and
2. The method of determining taxable income of insurance coverage is different:
 - Employee – Based on **estimated cost** (by reference to an IRS table)
 - Partner – Based on **actual cost** (actual premiums paid by the firm)

Imputed Taxable Income Comparison

The chart shows a comparison of the different methods of how the firm is required to determine imputed taxable income for firm paid life insurance coverage (based on the financial advisor's age as of the end of the year).

Age	Cost Per \$1,000 Of Coverage for 1 Month		
	Employee (IRS table)	Service Partner (actual cost for basic life)	Service Partner (actual cost for FA Survivor Life)
Up to 24	\$.05	\$.060	\$.099
25-29	.06	.060	.099
30-34	.08	.060	.099
35-39	.09	.060	.099
40-44	.10	.060	.099
45-49	.15	.060	.099
50-54	.23	.060	.099
55-59	.43	.060	.099
60-64	.66	.060	.099
65-69	1.27	.060	.099
70+	2.06	.060	.099

Illustrative Example: Sue, 45-year-old Financial Advisor

Edward Jones provides Sue with \$100,000 of Basic Life coverage and \$500,000 of FA Survivor Life Benefit coverage.

If Sue is an employee Financial Advisor:

\$82.50 per month is added to Sue's income and subject to taxation.

- The Basic Life coverage is reduced by \$50,000 since the first \$50,000 of coverage is exempt from taxation for employees. Using the appropriate age and rate in the IRS table above, the imputed taxable income of 50) per month.
- The imputed taxable income of Sue's FA Survivor Life Benefit coverage is \$75.00 (\$.15 x 500) per month.

On a paycheck, Basic Life taxable income appears as "GTL>\$50k" and FA Survivor Benefit as "SURV LIFE".

If Sue is a Service Partner or JV Service Partner Financial Advisor:

\$55.50 per month is added to Sue's income and subject to taxation.

- Using actual cost from the table above, the imputed taxable income of Sue's Basic Life coverage is \$6.00 (\$.060 x 100) per month.
- The imputed taxable income of Sue's FA Survivor Benefit coverage is \$49.50 (\$.099 x 500) per month.

For partners, life insurance taxable income is included on Schedule K-1, it does not appear on a paycheck.

For questions, contact HR Help: HRHELP@edwardjones.com, or call 1-800-440-3060, or ext. 5-1006.