



LONG TERM DISABILITY INSURANCE GROSS-UP OPTION

EXAMPLE

Note: These are estimates and can vary based upon individual tax withholdings. This is not official tax advice, each employee should consult their tax advisor to determine if they would have any liability under this arrangement.

| | Select No to Paying Premium Taxes | Select Yes to Paying Premium Taxes |
|-----------------------|--------------------------------------|---------------------------------------|
| Annual Income | \$40,000 | \$40,000 |
| Benefit % | x 60% | x 60% |
| Annual Benefit | \$24,000 | \$24,000 |

| | | |
|---|--------|--------|
| Federal Tax* | 22% | \$0.00 |
| State Tax* | 6.25% | \$0.00 |
| Social Security & Medicare Taxes | 7.65% | \$0.00 |
| Total Taxes | 35.90% | \$0.00 |

| | | |
|---|----------|----------|
| Annual Benefit Amount in the event of approved LTD <i>Paid to employee by New York Life</i> | \$15,384 | \$24,000 |
|---|----------|----------|

| | | |
|--|-----|---------|
| Annual Premium <i>(Paid by St. Olaf, added to W-2 income)</i> | N/A | \$68.00 |
| Annual Tax Liability on Premium <i>(Paid by Employee, based on 35.90% tax bracket above)</i> | N/A | \$24.41 |

FORMULA

Determine your specific annual premium amount.

$$\text{Annual Base Salary } \$______ / \$100 \times \$0.17 = \$______ \text{ Annual Premium}$$

(The premium is paid by the employee & will be factored into the paycheck as additional wages.)