

### Long Term Disability Plan: Taxable or Non-Taxable Premium

Sarah is a Staff employee who earns \$50,000 annually.

If she should go out on LTD, her monthly gross benefit would be \$2,500 (60% of her monthly earnings). Below are the results of Sarah's LTD benefit based upon whether or not she chooses to elect the taxable or non-taxable benefit.

#### Taxable Benefit

Monthly Gross LTD Benefit: \$2,500

Monthly Net LTD Benefit (after tax): \$2,200

Monthly Tax on Benefit: **\$300**

Sarah pays \$0 per month in taxes on the Firm-paid LTD premium, resulting in a taxable benefit to her if she becomes disabled.

#### Non-taxable Benefit

Monthly Gross LTD Benefit: \$2,500

Monthly Premium: \$16.04

Monthly Tax on Premium: **\$2.09**

Sarah will pay \$2.09 per month in taxes from her paycheck on the Firm-paid LTD premium to receive an additional \$300 in benefits if she became disabled.

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Richard is an Associate who earns \$120,000 annually.

If he should go out on LTD, his monthly gross benefit would be \$6,000 (60% of his monthly earnings). Below are the results of Richard's LTD benefit based upon whether or not he chooses to elect the taxable or non-taxable benefit.

#### Taxable Benefit

Monthly Gross LTD Benefit: \$6,000

Monthly Net LTD Benefit (after tax): \$5,160

Monthly Tax on Benefit: **\$840**

Richard pays \$0 per month in taxes on the Firm-paid LTD premium, resulting in a taxable benefit to him if he becomes disabled.

#### Non-taxable Benefit

Monthly Gross LTD Benefit: \$6,000

Monthly Premium: \$38.50

Monthly Tax on Premium: **\$6.93**

Richard will pay \$6.93 per month in taxes from his paycheck on the Firm-paid LTD premium to receive an additional \$840 in benefits if he became disabled.