

Executive Bonus

CONCEPT APPLIED:

An executive bonus plan provides businesses with a way to use tax deductible funds to selectively provide valuable benefits to critical, key employees. These benefits usually include cash value life insurance that can be used to supplement retirement income.

HOW IT WORKS:

Under the terms of a written agreement, the employee applies for and owns a life insurance policy on his or her own life, and the employer pays the annual policy premium. With these plans:

- Business owners choose the key employees they wish to reward.
- Bonus payments are fully deductible.
- Bonuses are taxable income to individual employees.
- Employees can access cash value on an income tax-free basis using policy loans and withdrawals.

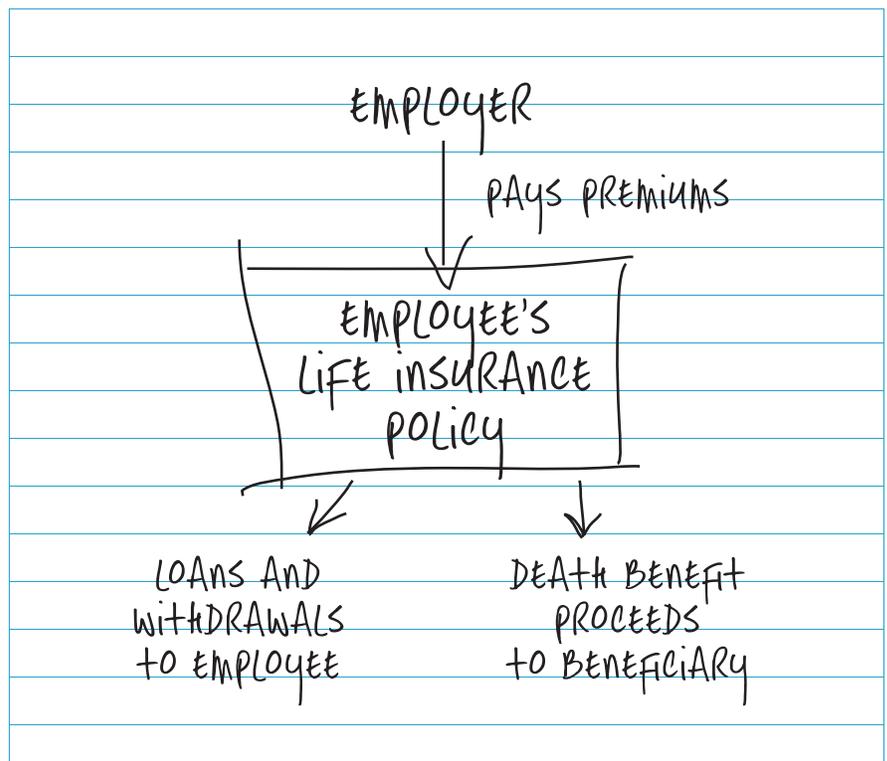
WHY IS IT USEFUL?

An executive bonus plan is simple to implement and easy to administer. Executive bonus plans are not subject to qualified plan discrimination requirements and offer a tax-favored way to reward valued employees.

NOTE: Loans and withdrawals may be subject to penalties and fees and will reduce the policy's account value and death benefit.

50 WORDS OR LESS

An executive bonus plan is a valuable tool for attracting and retaining key executives because employees gain additional life insurance protection—especially valuable to families with dependent children—while accumulating retirement income that grows tax free and can be accessed on a tax-favored basis through policy loans and withdrawals.



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