



Reward yourself and  
your key employees



Help contribute towards a  
secure retirement



Provide benefits in case you die too  
soon and become ill

## Executive Bonus Plan

### A TAX-ADVANTAGED STRATEGY

An executive bonus plan helps you stand apart from the competition by providing meaningful benefits to you and your employees.

### Consider The Benefits

#### To the Business

- Flexible contributions and multiple designs are available
- May select among employees and may include business owner employee as a participant
- Bonused dollars may be tax-deductible<sup>1</sup> to the company as compensation
- Simple to implement: no IRS approval required
- Provide incentives to reward and retain key employees

#### To Key Employees and Business Owner as Participant

- Receive a valuable benefit
- Participant owns the life insurance policy and selects their beneficiary
- Potential for retirement income through tax-free loans and withdrawals
- Accelerated benefit riders offer access to the death benefit in the event of a qualifying terminal, chronic, critical illness, or critical injury
- Determine the amount and time of distribution
- Cost for this program may be less than other types of arrangements
- Heirs receive an income tax-free death benefit<sup>2</sup>
- May be able to pay income tax that is due on the bonus using loans and withdrawals from the policy

Products issued by

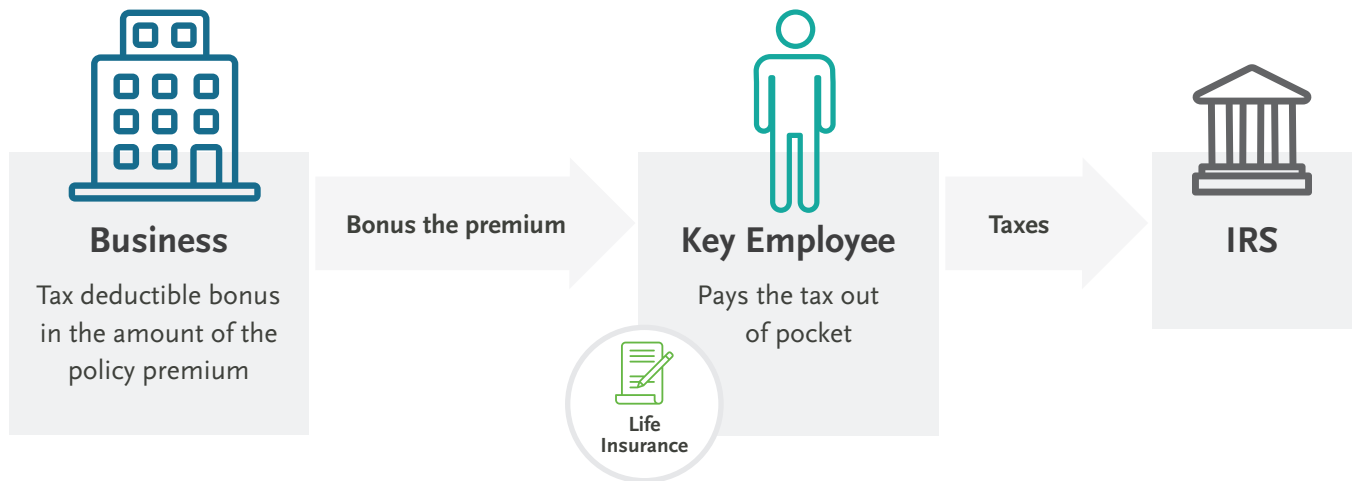
**National Life Insurance Company® | Life Insurance Company of the Southwest®**

## Customize the Plan to Fit Your Needs

There are many variations possible on the bonus plan, including the three listed below plus an optional set of golden handcuffs.

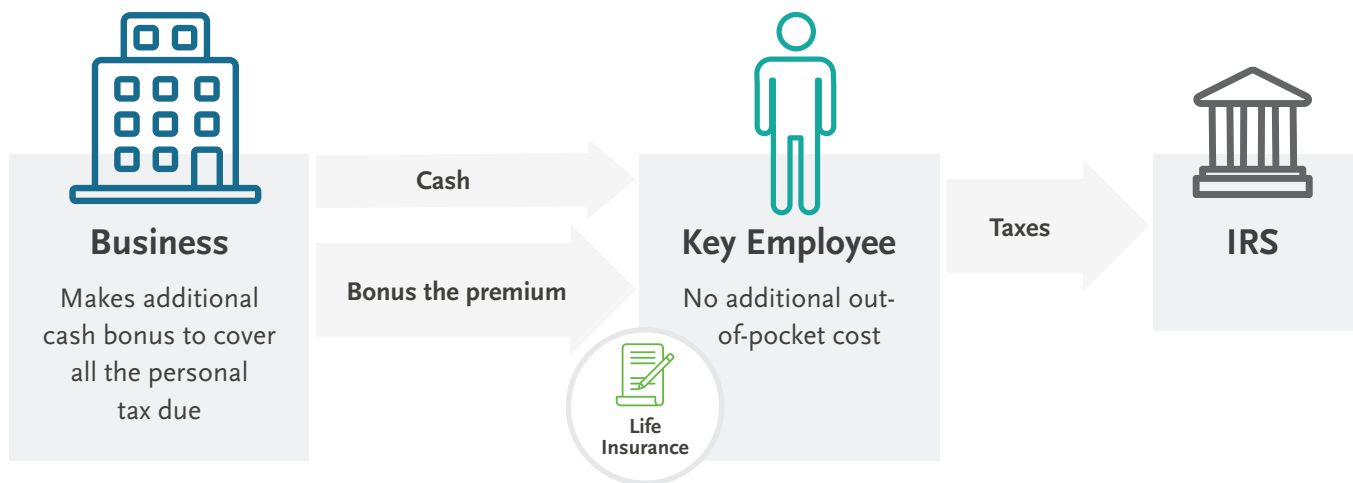
### Single Bonus

The business pays the tax-deductible premium on the life insurance policy which is owned by the owner/executive. The owner/executive pays the tax on the bonus, out of pocket, to the IRS.



### Double Bonus

The business pays the tax-deductible premium on the life insurance policy which is owned by the owner/executive. Then the business pays a second cash bonus to the owner/executive who will use those funds to pay the taxes due. The Double Bonus requires no out-of-pocket costs to the executive.



1. IRC § 162 allows businesses to deduct compensation paid to employees for services rendered as long as it is considered reasonable. Business owners should consult with a tax advisor to determine what amount will be considered reasonable for the sake of a bonus.

2. Internal Revenue Code § 101(a)(1). There are some exceptions to this rule. Please consult a qualified tax professional for advice concerning your individual situation.

The use of cash value life insurance to provide a tax-free resource for retirement assumes that there is first a need for the death benefit protection. Policy loans and withdrawals reduce the policy's cash value and death benefit and may result in a taxable event. Withdrawals up to the basis paid into the contract and loans thereafter will not create an immediate taxable event, but substantial tax ramifications could result upon contract lapse or surrender. Surrender charges may reduce the policy's cash value in early years.

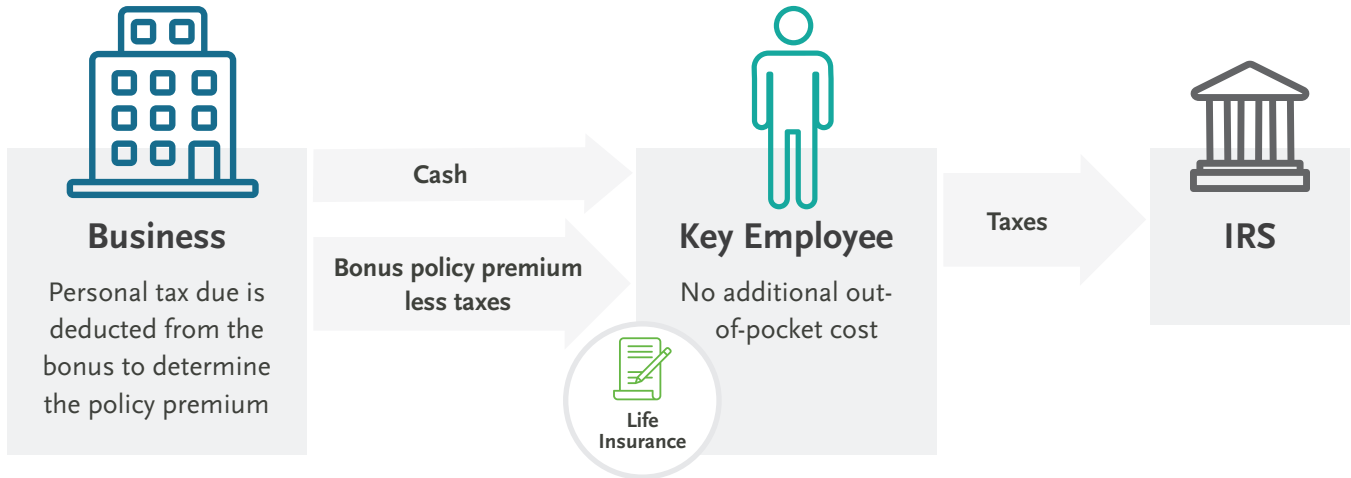
Payment of Accelerated Benefits will reduce the Cash Value and Death Benefit otherwise payable under the policy. Receipt of Accelerated Benefits may be a taxable event and may affect your eligibility for public assistance programs. Please consult your personal tax advisor to determine the tax status of any benefits paid under this rider and with social service agencies concerning how receipt of such a payment will affect you. Riders are supplemental benefits that can be added to a life insurance policy and are not suitable unless you also have a need for life insurance. Riders are optional, may require additional premium and may not be available in all states or on all products. This is not a solicitation of any specific insurance policy.

This information is not intended as tax or legal advice. For advice concerning your own situation, please consult with your appropriate professional advisor.

## Net Bonus

The business pays a portion of the bonus (the net) as the premium of the life insurance policy owned by the owner/ executive. The business withholds the rest of the bonus money to cover the taxes the employee owes at the end of the year. Like a double bonus, this allows the employee to not have to pay taxes out of pocket.

This strategy is popular when the business has a specific budget in mind they want to bonus to the executive.



## An Optional Restrictive Endorsement on Permanent Life Insurance

A restrictive endorsement is an addition to any of the three arrangements, usually when the program is for a nonowner key person. It limits the executive's access to cash value. It is sometimes used to make the arrangement a stronger golden handcuff. The restrictive endorsement may be added to any of the bonus programs.

By answering a few key questions, we can determine what you want to achieve and which plan would work the best for you and your business. Results may vary depending on how your business is organized (such as C Corporation versus S Corporation).

# Begin enjoying executive benefits.



## Commit to Your Executive Bonus Plan

Design your plan

Identify participants

Apply for insurance

Implement your plan

National Life Group® is a trade name of National Life Insurance Company (NLIC), Montpelier, VT, Life Insurance Company of the Southwest (LSW), Addison, TX and their affiliates. Each company of National Life Group is solely responsible for its own financial condition and contractual obligations. Life Insurance Company of the Southwest is not an authorized insurer in New York and does not conduct insurance business in New York.

This information is not intended as tax or legal advice. For advice concerning your own situation, please consult with your appropriate professional advisor.

No bank or credit union guarantee | Not a deposit | Not FDIC/NCUA insured | May lose value | Not insured by any federal or state government agency

**Guarantees are dependent upon the claims-paying ability of the issuing company.**