



Executive Bonus Plan Business Opportunity

If a business owner wants to use business dollars for themselves or their key employees, an Executive Bonus Plan which leverages the power of life insurance may be a solution.

Premium dollars are reported as additional compensation to the employee. The plan may be structured:

1. to require the employee to pay the income tax on the additional compensation, which may be covered using policy loans or withdrawals – this is referred to as a single bonus;
2. where the employer provides an additional bonus to the employee to cover the tax on the bonus – referred to as a double bonus, or a “grossed up” bonus; or
3. whereby the employer wants to offer a double bonus and has a fixed dollar amount budgeted for the plan – referred to as a “net” bonus.

The employee effectively controls the policy, including its cash value. If the employer wants to implement a “golden handcuffs” approach, a Restrictive Endorsement may be placed on the policy.

Products issued by

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

1 Policy loans and withdrawals reduce the policy’s cash value and death benefit and may result in a taxable event. Surrender changes may reduce the policy’s cash value in early years.

2 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.

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Client Profile

Possible Objectives:

- Deductible expense for the business
- Ability to cover the tax expenses for the employee from the funding vehicle or gross up bonus
- Tax-favorable distributions during lifetime through policy loans and withdrawals, and at death via an income tax-free death benefit
- Flexible funding program
- Discriminatory employee benefit for key employees
- Potential to provide supplemental retirement income for owner-employee or non-owner key employee

Entity Types: If the benefit is for a **non-owner key employee:** C corporations, professional corporations, S corporations, partnerships, and LLCs (regardless of tax status)

If the benefit is for an **owner-employee:** C corporations, professional corporations, and LLCs taxed as C corporations.

Relevant Factors:

- Supplements a qualified plan
- Selective employee benefit for certain key employees
- Helps recruit, retain, and reward key employees