

BUSINESS PROFILE

Help business attract and retain key talent

Golden executive bonus arrangement

Your sales opportunity

Business owners wishing to:

- Reward and retain their key people with a simple, **tax-deductible** strategy
- Provide key employees with an incentive that helps drive business profitability and growth
- Foster loyalty with key employees while ensuring knowledge transfer and business continuity

Solution: golden executive bonus arrangement

A **golden executive bonus arrangement** provides a bonus to reward and retain essential employees. The bonus is paid as a premium on a cash value life insurance policy. The key employee¹ is the owner and beneficiary of the policy. To access the life insurance policy's cash value, the key employee must remain with the company for a specified number of years.

Three valuable features

1. In the event of the key employee's death, the family receives an income-tax-free death benefit.
2. The cash value from the life insurance policy provides a source of retirement funds that the employee can access in an income-tax-advantaged manner. This policy may also be part of an estate planning strategy.
3. An employment contract creates a set of obligations for the employee to fulfill before attaining full ownership rights of the policy. This helps the business recoup expenses if obligations are not fulfilled.

Target client

- Single or multiple business owners
- Has a key employee
- Key employee provides expertise in client relationships, industry knowledge, sales or management

Key employees

Sales professionals
Managers
Executives
Other highly compensated employees

Not considered key employees

Business owners
Rank-and-file employees

How it works

- Employer and key employee engage in an employment contract.
- Employer pays a **tax-deductible** bonus to the employee.
- Employee pays income taxes on the bonus amount. The employer may choose to pay the income taxes for the employee as an additional bonus.
- Employee takes out a personal life insurance policy and names a beneficiary.
- The bonus is used to pay the premium on the life insurance policy to Minnesota Life or Securian Life, a New York authorized insurer.
- Policy instructions filed with the insurance company restrict employee's access to policy cash value.
- If the employee dies, death benefits are payable to the beneficiary.



Employer

Bonus for life insurance premium

Employment agreement

Policy instructions



Key Employee



Life insurance policy



Learn more

Do you have business owner clients who could benefit from a golden executive bonus arrangement to attract and retain key employees? We can help – call our Advanced Sales Team today:
1-888-413-7860, option 3

1. Key employees must be either highly compensated employees or management.

Life insurance products contain charges, such as Cost of Insurance Charge, Cash Extra Charge, and Additional Agreements Charge (which we refer to as mortality charges), and Premium Charge, Monthly Policy Charge, Policy Issue Charge, Transaction Charge, Index Segment Charge, and Surrender Charge (which we refer to as expense charges). These charges may increase over time, and these policies may contain restrictions, such as surrender periods. Policyholders could lose money in these products.

Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

Policy loans and withdrawals may create an adverse tax result in the event of lapse or policy surrender, and will reduce both the surrender value and death benefit. Withdrawals may be subject to taxation within the first fifteen years of the contract. Clients should consult their tax advisor when considering taking a policy loan or withdrawal.

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