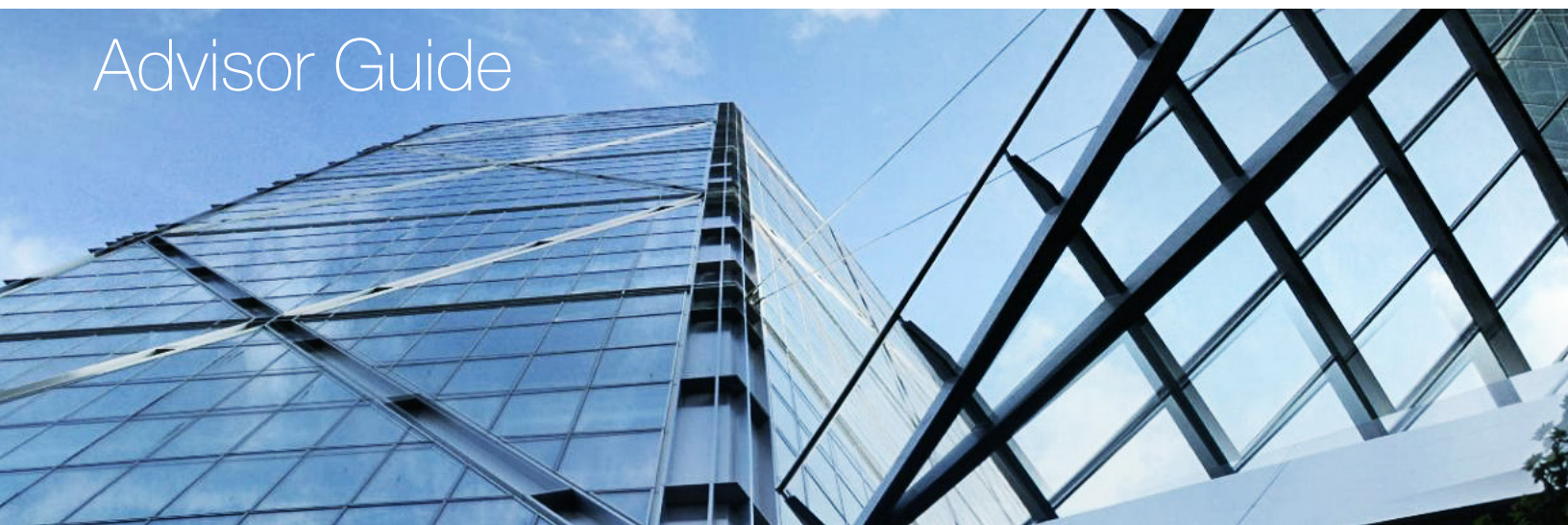




# Executive Double Bonus Plan

## Advisor Guide



An executive bonus plan (EBP) can be customized to meet an executive's survivor benefit, estate liquidity, and retirement needs. With an EBP, Employers use tax-deductible compensation bonuses to assist executives in meeting their own personal financial goals. The Employer pays the premiums on an employee-owned life insurance policy and treats the premium amount as a compensation bonus to the Executive. This bonus is tax-deductible, subject to reasonable compensation limits under IRC Section 162 (m).

### Client Assumptions

<b>Gender:</b>	Male
<b>Age(s):</b>	55
<b>Income Tax Rate:</b>	35.00%
<b>Underwriting:</b>	Preferred Nonsmoker

### Policy Assumptions

<b>Death Benefit:</b>	\$4,000,000
<b>Premium:</b>	\$52,567
<b>Premium Years:</b>	20
<b>1035 Exchange:</b>	\$0
<b>Guaranteed Age:</b>	80
<b>Death Benefit to Age:</b>	100

## How it Works

### Option 1



### Option 2



### Option 1 – Traditional Bonus

The employer bonuses the entire premium amount to the executive, who uses the bonus to pay the premium due. The bonus is income taxable to the executive. With the traditional bonus, the executive's out-of-pocket cost is equal to the income taxes due on the annual bonus.

### Option 2 – Grossed-up Bonus

The employer bonuses the employee enough to cover both the premium due and the income taxes that would result from the bonus. The bonus is subject to income taxes, but the executive received enough to cover both the premium and the taxes due. With the grossed-up bonus, the executive has no out-of-pocket cost.

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