Executive Benefit Planning





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Ask Yourself...

What would the impact on your business be if a key employee started his/her own business or went to work for a competitor?

Are you making effective use of business dollars to help achieve your *personal financial security objectives*?

Objective: Reward and Retain Key Employees

Issues to Consider:

- What is the value of your key employees to your business success?
- Do you have any selective benefit programs to assure the retention and loyalty of your key employees?
- What types of benefits are important to the people who are critical to your business?
- Are your current benefit plans meeting these expectations?

Objective: Use Business Dollars to Help Satisfy the Owner's Personal Fi<u>nancia</u>

Issues to Consider:

- If you had died or become disabled yesterday, would there be an adequate income to maintain your family's lifestyle today?
- Will you have the funds available to meet your education and/or retirement goals?
- Will your estate have sufficient liquidity to pay estate taxes and other settlement costs?

Are you taking full advantage of business dollars to meet your personal financial security goals?



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Executive Bonus Plan in Action





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Here's how an executive bonus plan could work to reward and retain your key employees...



- **1.** The business agrees to pay the tax-deductible premiums for life insurance policies applied for by selected key employees.
- 2. Each of the selected key employees owns the policy on his or her life and names a personal beneficiary for the death benefit. While alive, the key employee controls the policy's cash value and is entitled to any policy dividends paid.
- **3.** The cost to the key employee is the income tax due on the premiums paid by the business as a bonus.
- **4.** At the key employee's death, his or her personal beneficiary receives the death benefit free of income tax.

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