

Executive Bonus Plan

*Helping your
business
attract and
retain valuable
employees.*

An Executive Bonus Plan utilizing life insurance from American Family Life Insurance Company can help your business:

- Retain valuable employees.
- Attract new employees.
- Increase employee motivation and productivity.
- Increase employee loyalty to your company.
- Make your business more successful.

What is an Executive Bonus Plan?

An Executive Bonus Plan is an informal life insurance incentive program. This plan is intended to help your business attract and retain valuable employees and can be added to your employee benefit package easily and cost-efficiently.

How does it work?

First you select the employee(s) you want to include in the Executive Bonus Plan. Then you decide how much of the life insurance premium you wish to pay for each of them. Generally, the premium the business pays is deductible from taxable income of the business in the year it is paid. Your employee(s) must report these payments as ordinary income in the year the business makes the payments.*

Why should I offer an Executive Bonus Plan?

With an Executive Bonus Plan, your business may:

- Help increase employee productivity and earn employee loyalty by rewarding hard-working staff.
- Use the premiums it pays as a tax deduction.
- Remain flexible. The business is not required to make any long term commitments. You may change or discontinue the plan at any time.
- Select only the employees you wish to include.



How do my employees benefit from an Executive Bonus Plan?

Your employees:

- Receive a life insurance policy for a relatively low cash outlay.
- Have fully vested rights in the policy.
- Select the beneficiary.
- Have access to any cash or loan value in a permanent policy at all times. They may use such values for emergency loans or as additional funds at retirement.

What if an employee terminates or retires?

Upon termination of employment or retirement, your employee may:

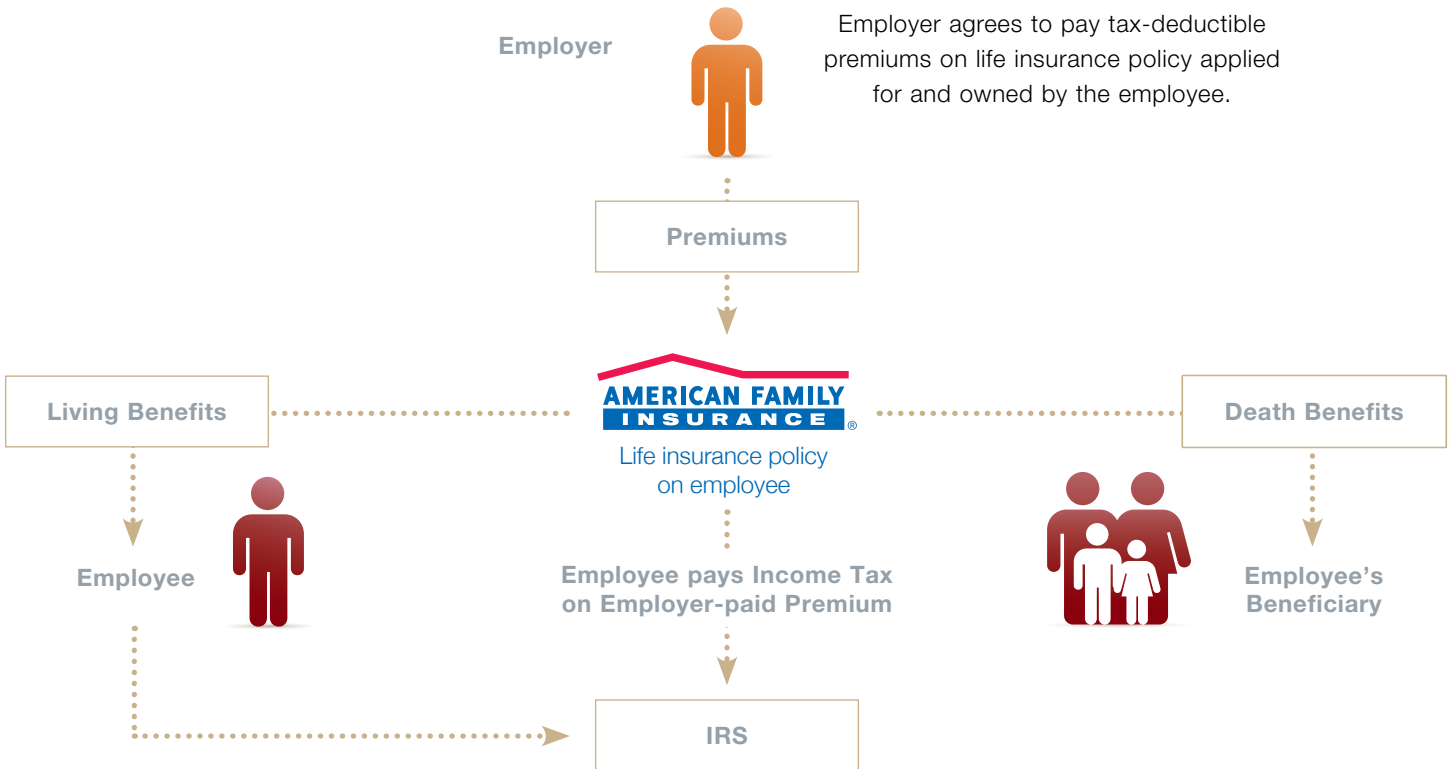
- Continue the policy by paying the full premium.
- Surrender the policy and receive its surrender value, if any.**
- Receive any surrender value as periodic retirement income payments.

How much work is involved in an Executive Bonus Plan?

Maintaining an Executive Bonus Plan is relatively simple. It requires a plan administrator (usually the business owner), and a minimum of paperwork.*

Executive Bonus

The chart below shows how an Executive Bonus Plan works.



- Under an agreement, Employer pays all or a portion of the premium for a policy on the Employee's life
- Premiums may be tax deductible for the Employer under IRC Sec. 162 as compensation to the Employee
- Employee pays income tax on the premiums paid by the Employer
- Employee owns the policy, including its cash value, and specifies the beneficiary

3 of 3

**The information in this brochure is based upon our understanding of current tax laws. Although American Family Life Insurance Company has attempted to ensure that this information is accurate at the time of printing, tax laws are subject to change and their application depends on each employer's unique circumstances. You should seek the advice of your tax or legal counsel regarding the taxability of any insurance transaction or the preparation of any legal agreements.*

***May be subject to early surrender charge.*



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