

An Executive Bonus Plan

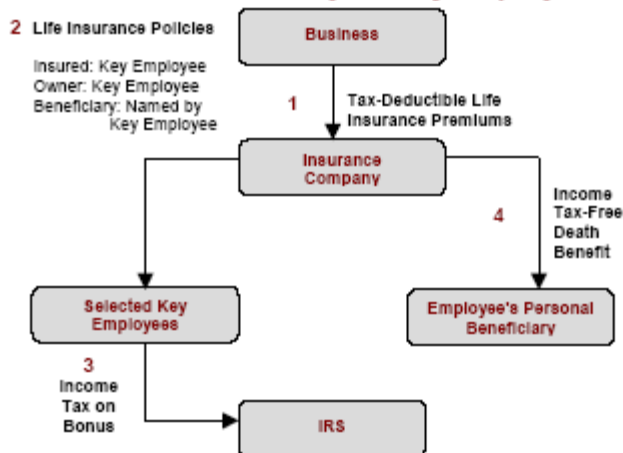
One of the easiest ways to fund your personal life insurance policy is by establishing an Executive Bonus Plan. Under IRC Section 162, your corporation can create an annual bonus to fund your premium. The bonus is tax deductible to your corporation. It is treated as income to you. In most circumstances, your personal income tax bracket is lower than your corporation's. It is also a good way to zero out your corporation and reduce your retained earnings.



Most executive bonus plans utilize cash value accumulating insurance policies. This is done so that each year a portion can be withdrawn to pay for any personal tax created by the bonus. Thereby, your corporation pays the premium and gets the deduction for your personal life insurance policy. The cash value inside the policy pays any income tax liability you may have. This is a creative planning tool for corporate owners who want to greatly reduce their net cost for life insurance.

The bottom line is that an executive bonus plan is a simple, effective way to provide personal life insurance to owners, key employees, including shareholder-employees, using fully tax-deductible business dollars.

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



The Mechanics of an Executive Bonus Plan:

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.

Please feel free to contact me. I would be happy to answer any questions regarding the worth or effectiveness of your current insurance coverages.

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