

# **An Executive Bonus Plan**

## **The Plan Description**

Of all the strategies available for an employer to provide unique benefits for selected executives, a bonus used to pay the premium for an executive-owned cash value life insurance policy is highly rewarding yet very simple to implement.

Most employers that utilize such plans usually provide a bonus of sufficient size so that the executive receives adequate funds for both the policy premium and the tax on the bonus.

There are two categories of this fringe benefit plan:

### **Plans with Unrestricted Access**

This plan is owned by the participant, has no restriction on the executive's access to plan values, and may be used at any time for any purpose. Bonus plans of this type are typically used for shareholder-executives.

### **Plans with Deferred Access**

This variation utilizes a technique known as an "endorsement of policy ownership rights". With this procedure, the employer's payment of the bonus is conditional upon the executive agreeing, in writing, not to take any action on the policy, such as withdrawal or loan, until an agreed upon date (or event) occurs - usually retirement. This variation is primarily used with non-shareholder executives.

Either form of bonus plan contains the following characteristics:

1. Discriminatory participation;
2. Deductible funding costs;
3. No out-of-pocket cost to the executive;
4. Tax free access to cash values through policy loans;
5. Income tax free death benefits;
6. No regulatory approval required;
7. Negligible plan administration;
8. Any size business can establish a plan;
9. Executive's values may not be attached by employer's creditors.

Favorable income tax consequences combine with significant policy values and benefits to create an executive compensation plan with a considerable amount of financial leverage. This is particularly evident in the accompanying presentation.

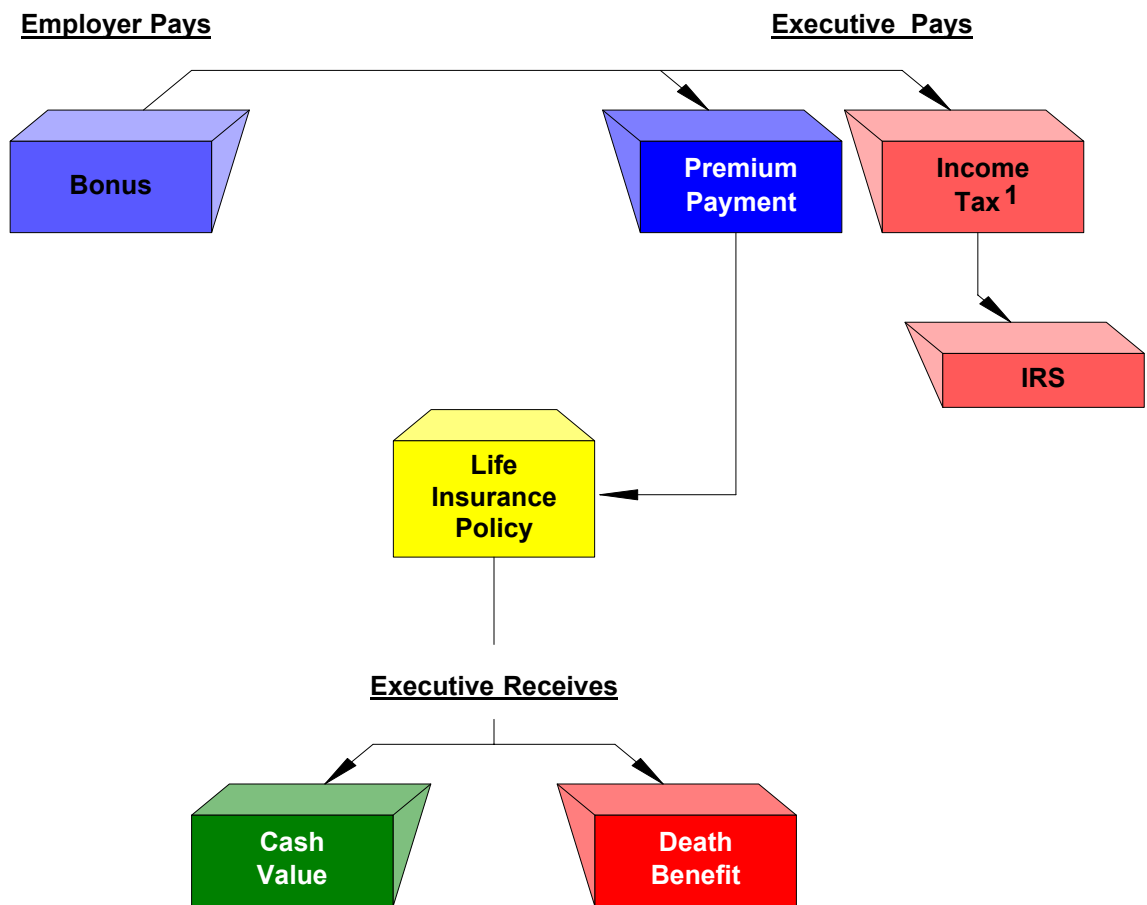
# An Executive Bonus Plan Using Equity Indexed Universal Life

## Who Pays What - Who Receives What

Presented By: [Licensed user's name appears here]  
Date: [Current date appears here]

For: Arthur Lee  
Employer: Ryder Corporation

### Flow Chart Analysis



(1) Due on the bonus received.

# An Executive Bonus Plan Using Equity Indexed Universal Life

Values Page: 1

Presented By: [Licensed user's name appears here]

For: Arthur Lee

Date: [Current date appears here]

Employer: Ryder Corporation

Male Age 45	Employer's Tax Bracket 34.00%	Executive's Tax Bracket 40.00%	Eq. Indexed UL Interest Rate 8.00%	Initial Payment 100,000	Initial Death Benefit 2,500,000
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Year	Employer's Costs		Executive's Costs				Executive's Values		
	(1) Employer's Allocated Payment to the Plan	(2) Employer's After Tax Net Payment	(3) Cost of the Policy Premium	(4) Allocation to Executive	(5) Income Tax on Col(4)	(6) Executive's Net Payment	(7) Year End Accum Value*	(8) Year End Cash Value*	(9) Death Benefit
1	166,667	110,000	100,000	166,667	66,667	0	101,714	66,714	2,500,000
2	166,667	110,000	100,000	166,667	66,667	0	212,346	142,346	2,500,000
3	166,667	110,000	100,000	166,667	66,667	0	332,215	257,715	2,500,000
4	166,667	110,000	100,000	166,667	66,667	0	462,138	387,638	2,500,000
5	166,667	110,000	100,000	166,667	66,667	0	603,023	528,523	2,500,000
6	0	0	0	0	0	0	646,994	576,219	2,500,000
7	0	0	0	0	0	0	694,192	627,887	2,500,000
8	0	0	0	0	0	0	744,896	683,806	2,500,000
9	0	0	0	0	0	0	799,374	744,244	2,500,000
10	0	0	0	0	0	0	857,934	809,509	2,500,000
11	0	0	0	0	0	0	920,944	879,969	2,500,000
12	0	0	0	0	0	0	988,800	956,020	2,500,000
13	0	0	0	0	0	0	1,061,919	1,038,079	2,500,000
14	0	0	0	0	0	0	1,140,815	1,126,660	2,500,000
15	0	0	0	0	0	0	1,226,058	1,226,058	2,500,000
16	0	0	0	0	0	0	1,318,255	1,318,255	2,500,000
17	0	0	0	0	0	0	1,418,159	1,418,159	2,500,000
18	0	0	0	0	0	0	1,526,610	1,526,610	2,500,000
19	0	0	0	0	0	0	1,644,559	1,644,559	2,500,000
20	0	0	0	0	0	0	1,773,121	1,773,121	2,500,000
	833,335	550,000	500,000	833,335	333,335	0			

### 20 Year Summary

\*This is an example of an InsMark supplemental illustration for equity indexed universal life. In an actual presentation, this footnote will refer to an accompanying basic illustration from a specific life insurance company with important details, caveats, and guarantees.

Employer's Cumulative A/T Costs	550,000
Executive's Net Payment	0
Executive's Cash Value	1,773,121
Executive's Death Benefit	2,500,000

## An Executive Bonus Plan Using Equity Indexed Universal Life

Values Page: 2

Presented By: [Licensed user's name appears here]

For: Arthur Lee

Date: [Current date appears here]

Employer: Ryder Corporation

Male Age 45	Employer's Tax Bracket 34.00%	Executive's Tax Bracket 40.00%	Eq. Indexed UL Interest Rate 8.00%	Initial Payment 100,000	Initial Death Benefit 2,500,000
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Year	Employer's Costs		Executive's Costs				Executive's Values		
	(1) Employer's Allocated Payment to the Plan	(2) Employer's After Tax Net Payment	(3) Cost of the Policy Premium	(4) Allocation to Executive	(5) Income Tax on Col(4)	(6) Executive's Net Payment	(7) Year End Accum Value*	(8) Year End Cash Value*	(9) Death Benefit
21	0	0	0	0	0	0	1,913,603	1,913,603	2,500,000
22	0	0	0	0	0	0	2,067,528	2,067,528	2,500,000
23	0	0	0	0	0	0	2,236,164	2,236,164	2,638,673
24	0	0	0	0	0	0	2,418,300	2,418,300	2,829,411
25	0	0	0	0	0	0	2,615,007	2,615,007	3,033,409
26	0	0	0	0	0	0	2,827,461	2,827,461	3,251,581
27	0	0	0	0	0	0	3,057,736	3,057,736	3,455,242
28	0	0	0	0	0	0	3,307,592	3,307,592	3,671,427
29	0	0	0	0	0	0	3,579,041	3,579,041	3,901,155
30	0	0	0	0	0	0	3,874,395	3,874,395	4,145,602
31	0	0	0	0	0	0	4,196,334	4,196,333	4,406,151
32	0	0	0	0	0	0	4,544,260	4,544,260	4,771,473
33	0	0	0	0	0	0	4,920,122	4,920,122	5,166,128
34	0	0	0	0	0	0	5,325,987	5,325,987	5,592,287
35	0	0	0	0	0	0	5,764,046	5,764,046	6,052,248
36	0	0	0	0	0	0	6,236,609	6,236,609	6,548,440
37	0	0	0	0	0	0	6,746,095	6,746,095	7,083,400
38	0	0	0	0	0	0	7,295,046	7,295,046	7,659,798
39	0	0	0	0	0	0	7,886,100	7,886,100	8,280,405
40	0	0	0	0	0	0	8,521,998	8,521,998	8,948,098
	833,335	550,000	500,000	833,335	333,335	0			

### 40 Year Summary

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Employer's Cumulative A/T Costs	550,000
Executive's Net Payment	0
Executive's Cash Value	8,521,998
Executive's Death Benefit	8,948,098

# Executive's Personal Report

## An Executive Bonus Plan Using Equity Indexed Universal Life

Executive's Personal Report Page: 1  
Date: [Current date appears here]

Presented By: [Licensed user's name appears here]

For: Arthur Lee  
Employer: Ryder Corporation

Male	Executive's	Eq. Indexed UL	Initial	Initial
Age	Tax Bracket	Interest Rate	Payment	Death Benefit
45	40.00%	8.00%	100,000	2,500,000

Year	Executive's Costs		Executive's Values	
	(1) Executive's Net Payment	(2) Year End Accum Value*	(3) Year End Cash Value*	(4) Death Benefit
1	0	101,714	66,714	2,500,000
2	0	212,346	142,346	2,500,000
3	0	332,215	257,715	2,500,000
4	0	462,138	387,638	2,500,000
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Executive's Net Payment	0
Executive's Cash Value	1,773,121
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# Executive's Personal Report

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Employer: Ryder Corporation

Male	Executive's	Eq. Indexed UL	Initial	Initial
Age	Tax Bracket	Interest Rate	Payment	Death Benefit
45	40.00%	8.00%	100,000	2,500,000

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#### 40 Year Summary

Executive's Net Payment	0
Executive's Cash Value	8,521,998
Executive's Death Benefit	8,948,098

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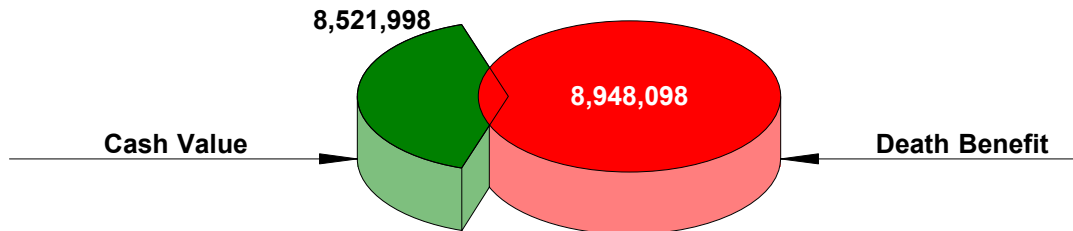
## 40th Year Summary Analysis

### Employer's Costs

### Executive's Costs



### Executive's Values

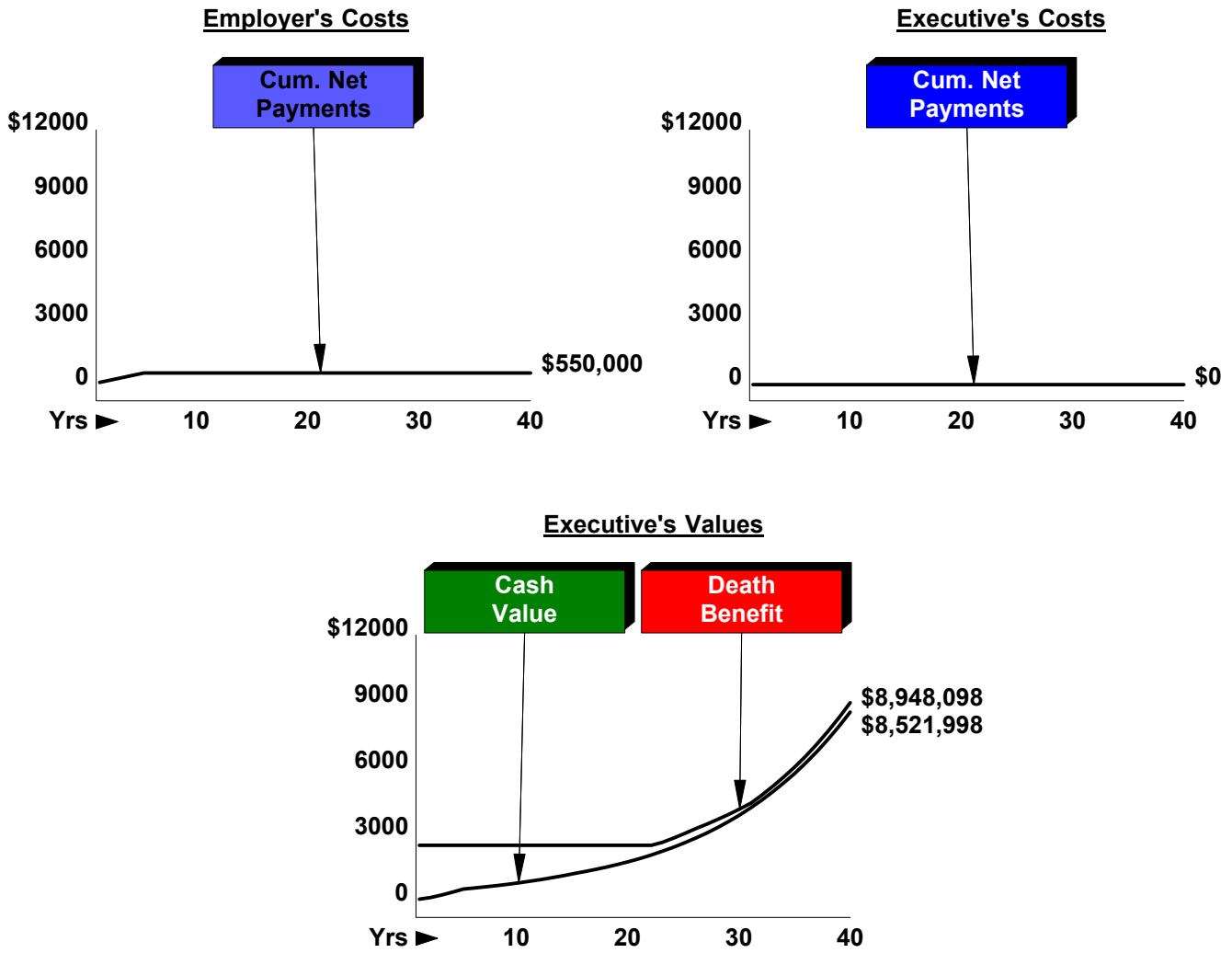


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## 40 Year Graphic Analysis

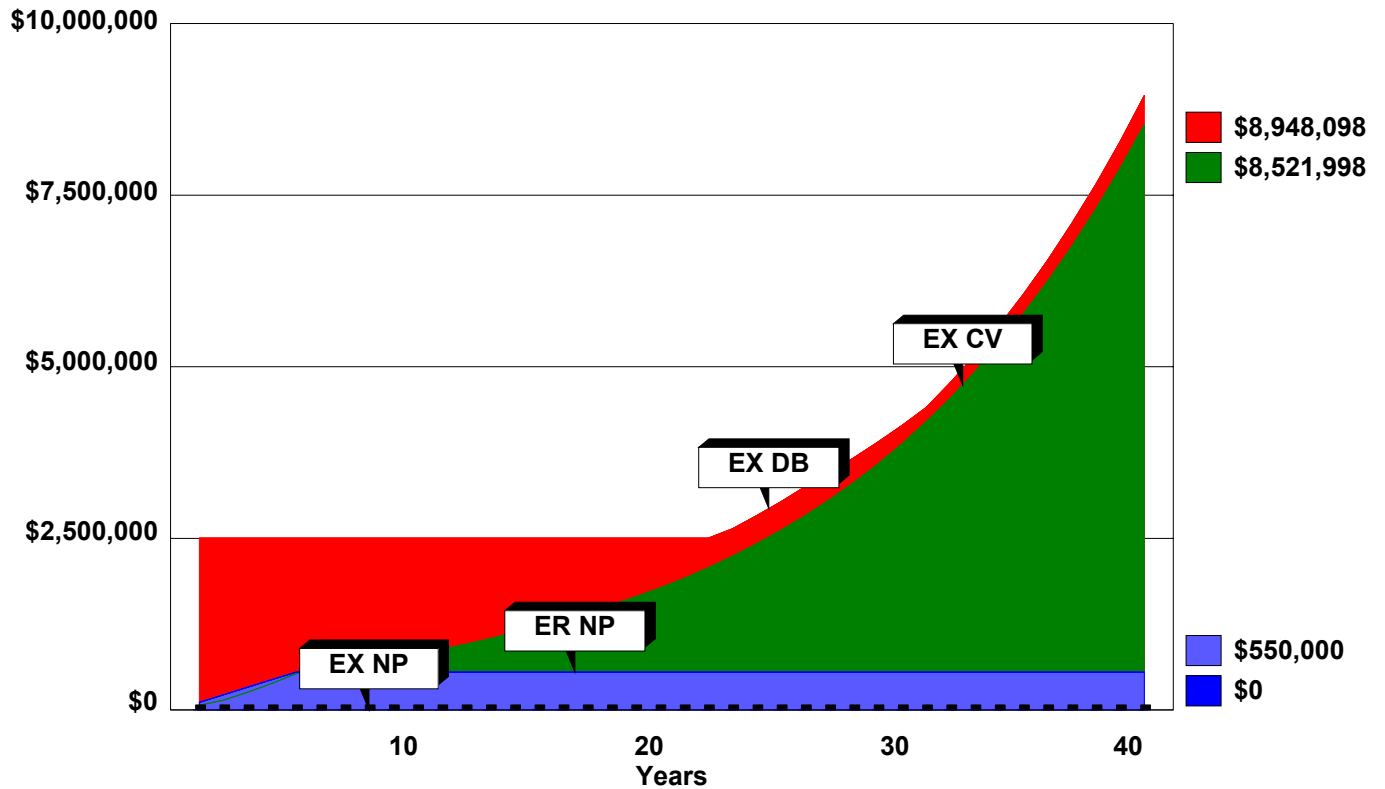


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## Employer's/Executive's Composite 40 Year Graphic Analysis



- EX NP - Executive's Cumulative Net Payments
- ER NP - Employer's Cumulative Net Payments
- EX CV - Executive's Cash Value
- EX DB - Executive's Death Benefit