

## BUSINESS PLANNING

### EXECUTIVE BONUS

#### CONCEPT APPLIED:

An executive bonus plan provides businesses with a way to use tax deductible funds to selectively provide valuable benefits to critical, key employees. These benefits usually include cash value life insurance that can be used to supplement retirement income.

#### HOW IT WORKS:

Under the terms of a written agreement, the employee applies for and owns a life insurance policy on his or her own life, and the employer pays the annual policy premium. With these plans:

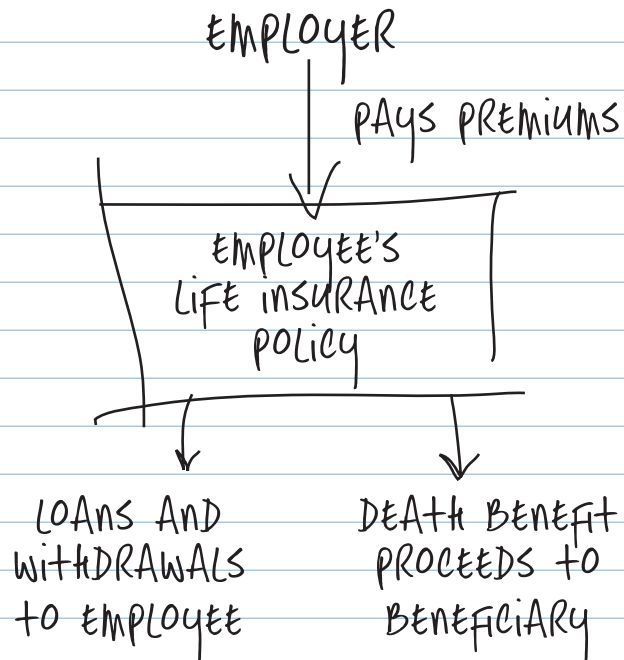
- ◆ Business owners choose the key employees they wish to reward.
- ◆ Bonus payments are fully deductible.
- ◆ Bonuses are taxable income to individual employees.
- ◆ Employees can access cash value on an income tax-free basis using policy loans and withdrawals.

#### WHY IS IT USEFUL?

An executive bonus plan is simple to implement and easy to administer. Executive bonus plans are not subject to qualified plan discrimination requirements and offer a tax-favored way to reward valued employees.

#### 50 words or less

An executive bonus plan is a valuable tool for attracting and retaining key executives because employees gain additional life insurance protection—especially valuable to families with dependent children—while accumulating retirement income that grows tax free and can be accessed on a tax-favored basis through policy loans and withdrawals.



## BUSINESS PLANNING

### IMPORTANT INFORMATION

This information is provided by American General Life Insurance Company (AGL) and The United States Life Insurance Company in the City of New York (US Life), members of American International Group, Inc. (AIG).

The information contained in this document is general in nature and intended for educational purposes only and is not a comprehensive analysis of the topic presented. The information may be subject to change and should be verified for accuracy and reliability (e.g., federal income tax statutes, rulings, etc. that may have changed since publication) and may be subject to differing legal interpretations. While the publisher has been diligent in attempting to provide accurate information, the accuracy of the information cannot be guaranteed. No representation or warranty, express or implied, is made by AGL, US Life and its affiliates as to the completeness of the information in this document. AGL and US Life shall not be liable for any loss or damage caused by the use of, or reliance on, the tax, accounting, legal, investment or financial items contained in this material.

The Company, its financial professionals and other representatives are not authorized to give legal, tax or accounting advice. For advice concerning your situation, consult your professional attorney, tax advisor or accountant.

To ensure compliance with requirements imposed by U.S. Treasury Regulations, we inform you that any tax advice contained in this document (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

©2021. All rights reserved.

