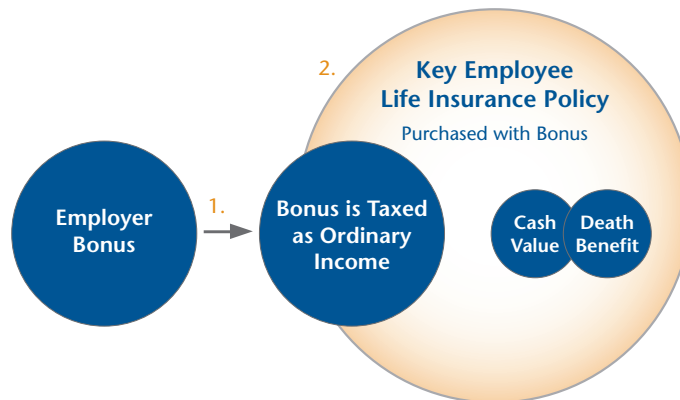


## Principal Executive Bonus Plus Employer Summary

Business owners want a simple, yet effective, way to recruit, reward and retain key employees. A Principal Executive Bonus Plus<sup>SM</sup> plan provides a platform to help meet those needs. This nonqualified plan is tax deductible to the employers and easy to administer.

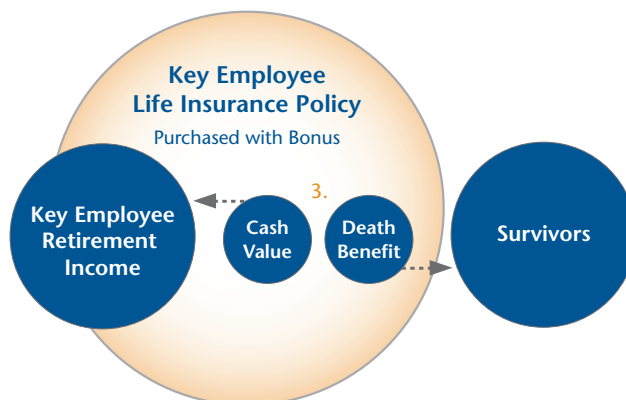
### How it works

#### Accumulation Phase



1. Bonus from employer to key employee can be tax-deductible, subject to reasonable compensation restrictions.<sup>1</sup>
2. Bonus dollars fund an asset e.g. a life insurance policy. Key employee is taxed on the bonus as ordinary income.

#### Distribution Phase



3. Upon distribution, the key employee uses the financial asset values to supplement retirement income or provide survivor benefits.

## Benefits and considerations

### For the employer

- Provides the ability to recruit, reward and retain the key employees who contribute the most to the business' continued success.
- Business receives a current tax deduction.<sup>1</sup>
- Agreements may be added to tie the key employee closer to the business.
- Simple, yet flexible, plan design is easy to communicate and maintain.
- Plan is exempt from annual reporting and ERISA requirements.
- Asset is not corporate-owned.
- Each bonus paid reduces company cash flow.

### For the key employee

- Overcomes government limitations on the amount a highly compensated employee can save for retirement.
- Receives enhanced retirement and/or survivor benefits.
- The employee owns the financial asset.
- Minimal cost for the key employee is the tax associated with the bonus. This cost may be partially or fully offset with an additional bonus.
- Overall low tax rates.
- Additional tax if employer's bonus doesn't cover 100% of the tax.
- Employer's bonus may be contingent on continued employment.
- Depending on financial asset selected, annual taxation of earnings may apply.

<sup>1</sup> Business owners of flow-through entities (LLCs, S corporations, partnerships) are taxed pro rata on the dollars used to pay the premiums. These plans should generally be avoided by owner/employees. There may be some limited application for minority owner/employees.



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