

Executive Bonus Plan

Executive Bonus Plans: Reward business owners and key employees with life insurance paid with tax deductible business revenue. The business owner and key employees are important reason that the business is profitable.

Management

often use selective, discriminatory fringe benefits to reward those employees whose work is more responsible for creating profits.

Action steps defining how an Executive Bonus Plan works:

- The business owner or employee takes out a personal life insurance plan and names the beneficiary.
- The business then pays the premium on the policy to the insurer. The business can deduct the premium as an income tax expense.
- The employee will then be required to pay income taxes on the premium.

Several benefits for the company and for business owner or key employees:

- You can terminate the plan at any time
- Simple administration
- Premium payments are tax deductible expenses
- It is relatively inexpensive
- It does not require IRS qualification/reporting
- You select participants

Advantages for key employees include:

- The Business dollars pay most of the employees' costs
- Each individual owns and controls and control the policy and its cash values
- The employee's beneficiary receives an income tax-free death benefit
- It is portable — they can take it with them when they leave the company
- The remaining small cost can be decreased further using policy dividend options

An Executive Bonus Plan can be an excellent low-cost method to reward employees whose hard work helps make your business profitable.