

## Northeast Brokerage: Executive Bonuses with Life Insurance

As a trusted advisor, you're always looking for innovative ways to help your business clients incentivize and retain key employees. One strategy gaining traction in today's competitive market is the Executive Bonus Plan using life insurance. Not only does this approach provide valuable benefits to employees, but it also helps employers offer a compelling compensation package that aligns with business growth.

### What Is an Executive Bonus Plan?

An executive bonus plan allows business owners to reward their top talent by paying a bonus that funds a life insurance policy. The key employee owns the policy and names the beneficiaries, ensuring their loved ones are taken care of in the event of an untimely death. Additionally, the policy's cash value can serve as a source of tax-advantaged retirement income for the employee.

### Why Recommend This to Your Business Clients?

**Income Tax-Free Death Benefit:** Should the key employee pass away unexpectedly, their beneficiaries receive an income-tax-free death benefit, providing crucial financial support.

**Cash Value for Retirement:** Over time, the cash value of the life insurance policy grows and can be accessed by the employee for retirement purposes. This not only supports long-term financial planning but also helps with estate planning.

### How It Works

- The employer pays a bonus to the employee, which is tax-deductible for the employer.
- The employee uses the bonus to pay the premium on their life insurance policy.
- The employee is responsible for the taxes on the bonus, though the employer can choose to cover those taxes with an additional bonus.
- As the policy owner, the employee can access the policy's cash value or provide death benefits to their beneficiaries.

### Target Clients for This Strategy

This approach is ideal for businesses with one or more key employees who are critical to operations, such as client relationship managers, industry experts, or top sales professionals. In today's labor market, where employees expect competitive compensation and benefits, an Executive Bonus Plan can be a strategic tool to attract, retain, and reward top talent.