



Lafayette Life
Insurance Company

A member of Western & Southern Financial Group

ADVANCED MARKETS
BUSINESS PLANNING

EXECUTIVE COMPENSATION



EXECUTIVE BONUS ARRANGEMENT

*Rewarding Select Employees
with Lafayette Life*

THE LAFAYETTE LIFE INSURANCE COMPANY

With more than 100 years of service to policyholders, The Lafayette Life Insurance Company is a financially strong provider of individual life insurance, annuities, and retirement and pension products and services.

Lafayette Life is a member of Western & Southern Financial Group, Inc., a family of financial services companies whose heritage dates back to 1888. With the strength of our organization and our ongoing commitment to servicing you, your business and your family, The Lafayette Life Insurance Company is a company you can depend on. Find out more about our financial strength and distinguished history at www.LafayetteLife.com.



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The Lafayette Life Insurance Company
400 Broadway
Cincinnati, OH 45202-3341

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Life insurance products are not bank products, are not a deposit, are not insured by the FDIC or any other federal entity, have no back guarantee, and may lose value.

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REWARDING SELECT EMPLOYEES

- In today's competitive world, attracting and retaining key employees can be critical to the success of an enterprise.
- Therefore, finding a cost-efficient, simple-to-administer method of rewarding select employees is important.

Administrative costs and changing regulations can create challenges for the business owner wanting to offer meaningful compensation incentive plans for key business contributors. An **executive bonus arrangement** funding a Lafayette Life insurance policy may provide a perfect solution.

WHY WILL EXECUTIVE BONUS WORK FOR MY COMPANY?

You select whom to include in the executive bonus arrangement. The bonus compensation to the key employee is generally income tax-deductible to the business.¹ In addition, it is generally income-taxable as compensation to the recipient key employee.

¹ Must meet the reasonable compensation test as defined in Section 162 of the Internal Revenue Code.

In order to sweeten the reward program, employers can choose to bonus additional dollars to help the employee cover the additional out-of-pocket income tax. This is often referred to as a **double bonus plan**. In addition, the amount of bonus dollars can be tied to key employee performance and company profits.

HOW DOES AN EXECUTIVE BONUS ARRANGEMENT WORK?

The Lafayette Life insurance policy is owned by the key executive, and they can name their own personal beneficiary.

Some employers may view this as a negative. However, if an employer wants to place some limitations on this executive bonus arrangement, one alternative to consider is adding a restrictive endorsement to the life insurance policy. This "golden handcuffs" approach can limit access to early surrender, loans/withdrawals from the life insurance policy or an ownership change on the policy — without the employer's approval.²

Premium Bonus

- Key employee is selected.
- Employer pays bonus as premium to Lafayette Life.

Lafayette Life Policy

- Income tax-deductible as bonus compensation by employer.*
- Reported as bonus income compensation by key employee.
- Employer may provide double bonus to assist with out-of-pocket employee costs.

Key Employee

- Key employee owns and names personal beneficiary for the executive bonus life insurance policy.
- Restrictive endorsement can act as "golden handcuffs."

* Subject to reasonable compensation rules under IRC Section 162.

Your Lafayette Life agent is prepared to work with you and your advisors to create the programs that are best for your company. Call today to learn more.

² Compliance with the provisions of Section 409(a) and ERISA may be required. Please consult with appropriate legal, tax and accounting advisors.