



Lafayette Life  
Insurance Company

A member of Western & Southern Financial Group

ADVANCED MARKETS

EXECUTIVE  
COMPENSATION



## Executive Bonus Arrangements

*Rewarding Select Employees  
with Lafayette Life*



## Attract, Reward, and Retain Top Talent

Running a business in today's competitive environment can be challenging. That's why it's important to implement a cost-efficient, simple-to-administer strategy for recognizing and incentivizing your key talent.

Attracting and retaining excellent employees with the necessary skills is an obstacle that all business owners face. The "best" employees have the luxury of choosing where they work. They've most likely been approached by your competitor.

To prepare for the future and build your business, you must develop strategies to **attract and retain** the best employees.

### Executive Bonus Arrangements

Executive bonus arrangements are relatively simple and easy to administer. By incorporating a life insurance policy into the plan, you can provide life insurance benefits to your selected key employees on a generally tax-deductible basis for your business.<sup>1</sup>

## How Does and Executive Bonus Arrangement Work?

The executive owns the Lafayette Life insurance policy and names his or her own personal beneficiary. The business pays the premium, the cost of the premium is taxed as compensation to the executive, and the business may receive a deduction for the bonus paid. In a double bonus arrangement, the employer can also provide an additional bonus to cover the income tax due, creating a zero net cost to the executive.

### 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.

## Restrictive Bonus Arrangement

Although some employers may view executive ownership as a drawback, limitations can be added through a restrictive endorsement—often called a “golden handcuffs” approach—which can restrict access to an early surrender, loans/withdrawals from the life insurance policy, or changes in policy ownership without the employer’s approval.<sup>2</sup>

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

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

## THE LAFAYETTE LIFE INSURANCE COMPANY

With more than 115 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. Find out more about our financial strength and distinguished history at [LafayetteLife.com](http://LafayetteLife.com).

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.

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