



Inside Track

Section 162 Executive Bonus Plan

Is a Section 162 Executive Bonus Plan right for your business?

Are you looking for an easy, inexpensive way to reward or retain key employees in your business? If so, a Section 162 Executive Bonus Plan may be right for your business.¹

A Section 162 Executive Bonus Plan is a simple way to retain and reward selected key employees!

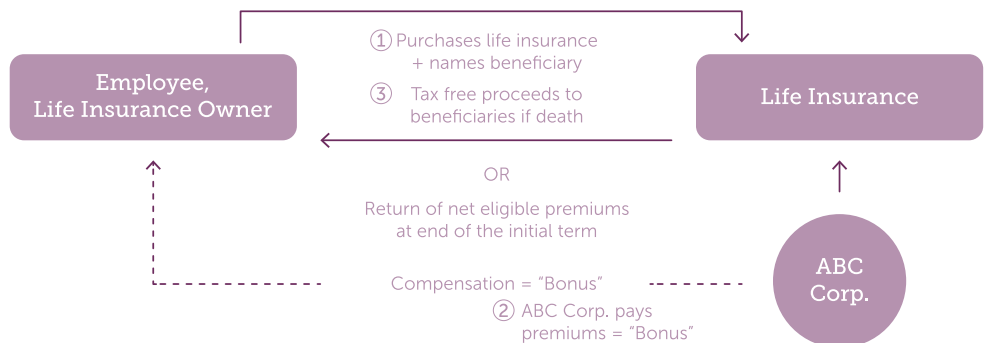
There are currently no reporting requirements or governmental approval requirements to administer an IRC Section 162 Executive Bonus Plan.

Talk to your insurance representative today to see if a Section 162 Executive Bonus Plan is right for your business!

Did you know that under Internal Revenue Code Section 162, you can set up a non-qualified benefit arrangement that allows you to create a "bonus" for selected key employees by funding a life insurance contract? This is called a Section 162 Executive Bonus Plan.

In its simplest form, a Section 162 Executive Bonus Plan works as follows:

- Your selected employees purchase life insurance; the employee is the owner and the insured and the employee names the beneficiary
- Your business "bonuses" the employees by paying the insurance premiums as they become due²
- Your business gets a tax deduction for the amounts "bonused"³
- The employee gets life insurance coverage and, with certain insurance products, possibly access to the accumulated cash value within the certificate



¹ Foresters, their employees and life insurance representatives, do not provide, on Foresters behalf, legal or tax advice. The information given here is merely a summary of our understanding of current laws and regulations and is not specific to your situation. Prospective purchasers should consult their tax or legal advisor.

² Employer payments of premiums are wages to the employee and are subject to FICA and FUTA. An employer cannot take a deduction for premiums if the employer is a beneficiary of the life insurance contract. IRC 264(a)(1).

³ Reg. 1.162-7 (b)(1).

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Who is a Section 162 strategy for?

Employers who...

- want to offer select employees the security and comfort of owning life insurance
- would like a way of providing employees additional income
- want a recruiting tool, and who wish to stay competitive on compensation
- are able to utilize the “bonus” deduction
- need an easy, discretionary way to “bonus” employees for loyalty
- can utilize the tax advantage of paying the premiums²

Employees who...

- want or need life insurance
- want the ownership rights to the certificate (for example, the right to name certificate beneficiaries)

Funding a Section 162 Executive Bonus Plan with life insurance is an easy way to reward your key employees with supplemental retirement funds and additional life insurance protection. Most importantly, the Section 162 Executive Bonus can help you show them just how important they are to the success of your business!