



Executive Bonus Plan

Presented by:

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Ohio National
Financial Services®

Life changes. We'll be there.®

Please Be Advised:

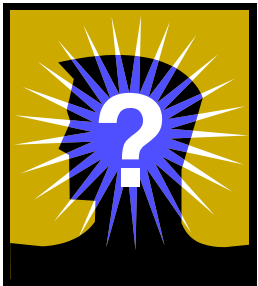
All specific legal and tax questions should be referred to your legal and tax advisers.

Executive Bonus Plan



Reward your key people with a simple yet powerful fringe-benefit plan.

Consider This



Which of your employees is vital to the success of your business?

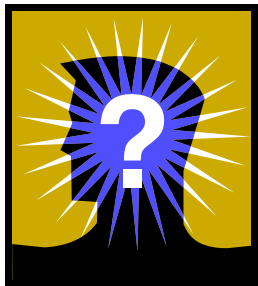
Owners?

Executives?

Officers?

Key Employees?

Key People Are Valuable!



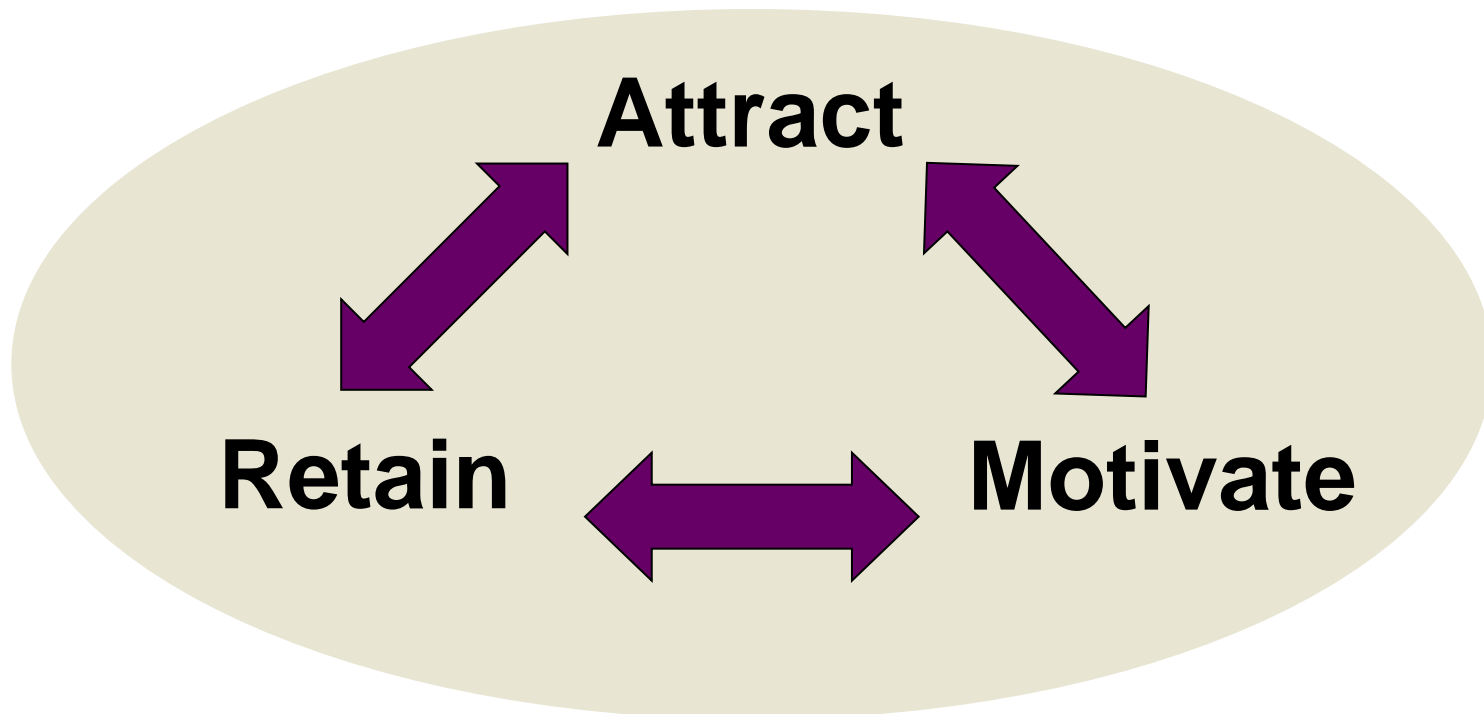
Wouldn't you like to take steps to retain, motivate and reward them?

Tip: Take steps to place "golden handcuffs" on your most important people.

A Simple Yet Powerful Solution



An executive bonus plan uses tax-deductible contributions to fund insurance policies covering the lives of your key people.

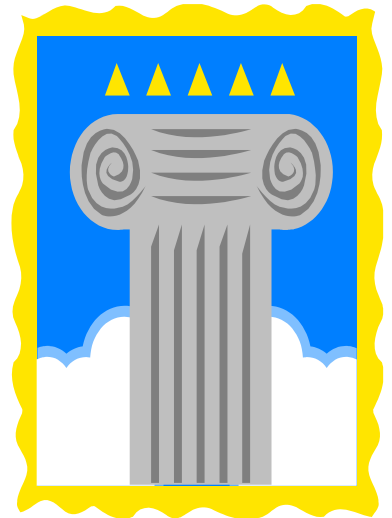


Plan Benefits



For you as a businessowner:

- ◆ Attracts the best of the best
- ◆ Key employee retention and motivation
- ◆ Simplicity
- ◆ Selectivity
- ◆ Flexibility
- ◆ Tax deduction



Plan Benefits

- ◆ For your key people:
 - ◆ Life insurance protection
 - ◆ Portability
 - ◆ Policy cash values may be creditor protected*
 - ◆ Income-tax free death benefits**
 - ◆ Tax-advantaged access to policy cash values**



* Creditor protection varies by state

** Under current tax laws

Incorporate the Best Features of Qualified Retirement Plans



- ◆ Create a tax-deductible business expense
- ◆ Accumulate money on a tax-deferred basis
- ◆ Provide benefits for retirement, disability and death



Avoid the Worst Features of Qualified Retirement Plans



- ◆ Allow for choice of participants
- ◆ Eliminate government filings and paperwork
- ◆ Significantly reduce administration



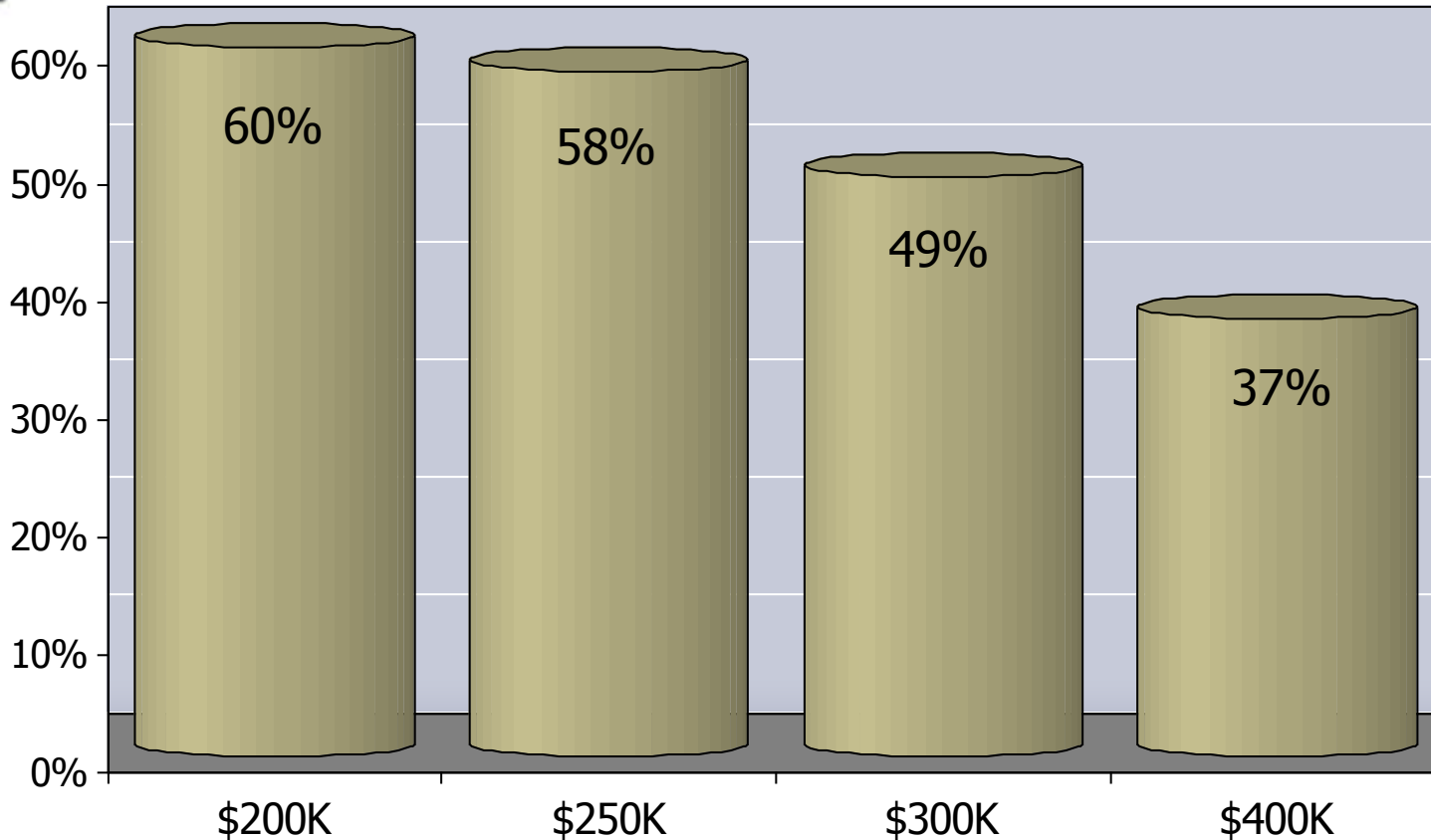
Comparison of Fringe-Benefit Plans



	Qualified Plan	Executive Bonus
Contributions deductible by employer	Yes	Yes
Contributions taxable to executive	No	Yes
Receipt of retirement income taxable to executive	Yes	No
ERISA requirements	Yes	No

A Level Playing Field?

Comparison of retirement benefits as a percentage of final salary*



*Comparison assumes a qualified retirement plan benefit of 60 percent of final salaries shown above, subject to the IRC section 401(a) compensation limit of \$245,000 for 2008.

Executive Bonus as a Supplement to Qualified Plans



Use Executive Bonus to overcome the “reverse discrimination” that pension plans have against highly compensated individuals.

How it Works



Business

Insurance policy is purchased
Premium is a taxable bonus



Executive

Business pays the premium

Business receives a tax deduction

Executive owns the policy



Income-tax free death benefit and access to policy cash value



Heirs

- Executive is taxed on bonus
- Cash values build tax-deferred
- Policy cash values available for retirement or college funding
- Cash values may be creditor protected (varies by state)
- Death benefits may be used for estate settlement

Tax Aspects



- ◆ Income Tax
- ◆ Estate Tax
- ◆ Gift Tax



Income Tax: Employer



- ◆ Premium payments qualify employer for an income-tax deduction
 - ◆ An ordinary and necessary business expense
 - ◆ No exposure to the alternative minimum tax

Income Tax: Executive



- ◆ Premiums paid by the employer are taxed to the executive
- ◆ Income-tax free death benefits
- ◆ Tax-advantaged access to policy cash values for:
 - ◆ Retirement income
 - ◆ College expenses
 - ◆ Other needs

Estate Tax

- ◆ Life insurance proceeds are included in the executive's estate

Tip: To remove the policy from the executive's estate, consider transferring the policy to a third party such as a child or an irrevocable life insurance trust.

Gift Tax

- ◆ If the employee gifts the policy to a third party, the gift may be taxable, subject to the annual gift tax exclusion and lifetime exemption amounts

Tip: The value of the gift is typically the policy's cash value at the time of the gift.

Plan Design Alternatives

- ◆ Custodial Executive Bonus
- ◆ Double Bonus
- ◆ Executive Contribution

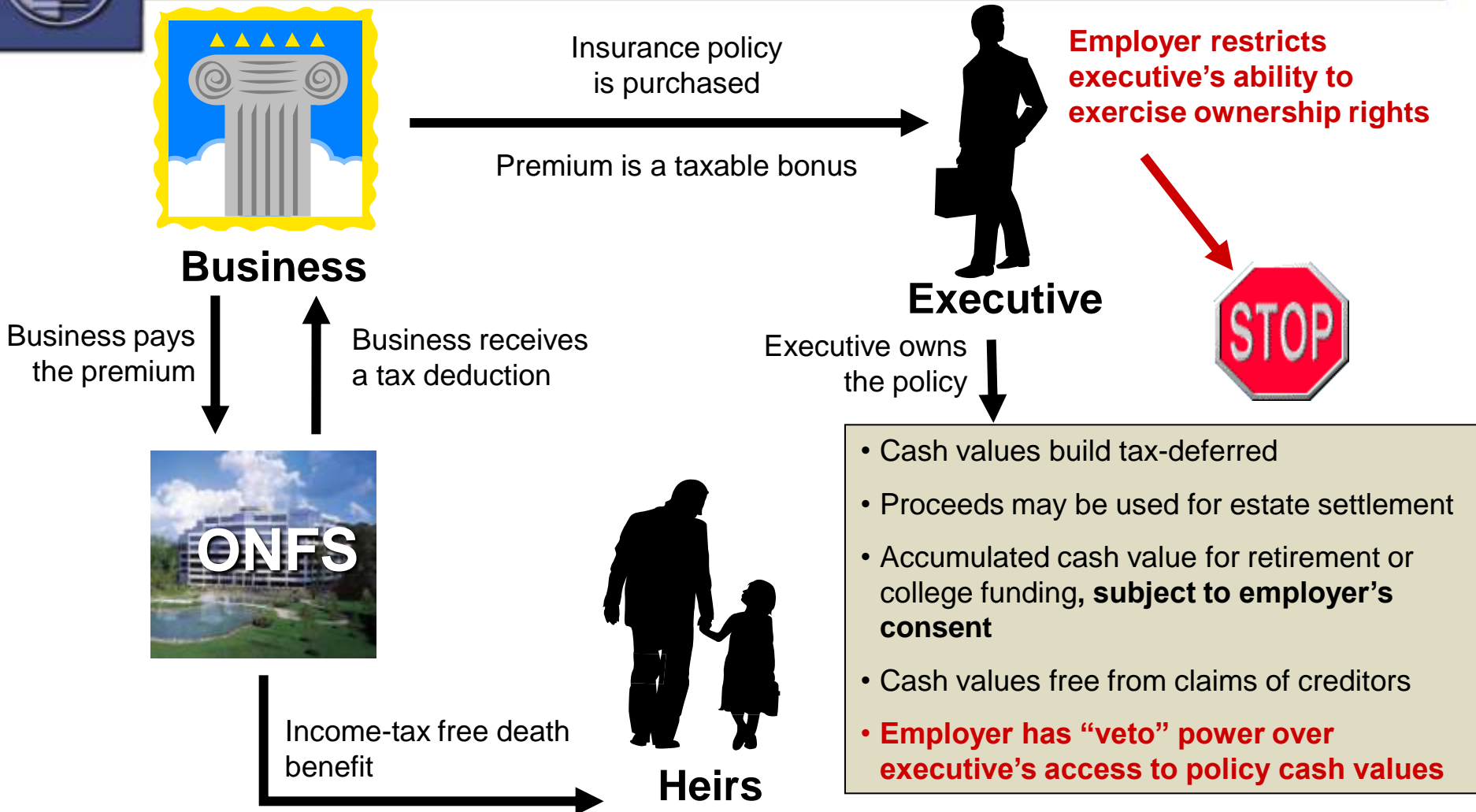


Custodial Executive Bonus

Allows employer to place restrictions on the employee's ability to exercise policy ownership rights.

- ◆ Restricts access to policy cash values
- ◆ Restriction removed after a stated period of time
- ◆ Enhances employer control

How Custodial Executive Bonus Works



When to Use Custodial Executive Bonus



- ◆ To prevent a competitive start-up by the executive
- ◆ To give the employer control over exercise-of-ownership rights
- ◆ To force the employee to save for retirement

Tip: This type of arrangement gives the employer "veto" power over the executive's access to policy cash values.

It's About Control



	Executive Bonus	Custodial Executive Bonus
Contributions Deductible by Employer	Yes	Yes
Contributions Taxable to Executive	Yes	Yes
Receipt of Retirement Income Taxable to Executive	No	No
ERISA Requirements	No	No
Enhanced Employer Control	No	Yes

Double Bonus

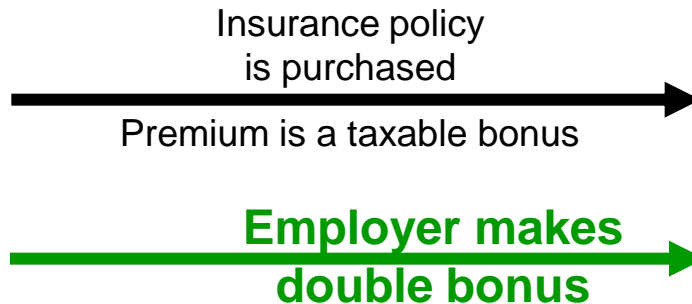
Employer bonuses an additional sum to cover taxes due from the executive bonus plan.

Tip: With a double bonus, the executive doesn't have to reach into his/her own pocket to pay taxes.

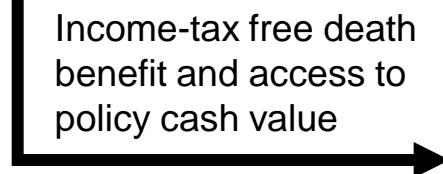
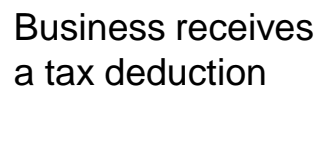
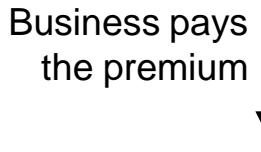
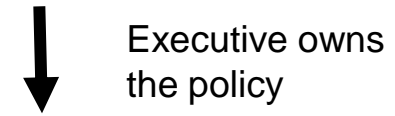
How Double Bonus Works



Business



Executive



Heirs

- Cash values build tax-deferred
- Proceeds may be used for estate settlement
- Accumulated cash value for retirement or college funding
- Cash values free from claims of creditors
- **No out-of-pocket taxes due by executive**



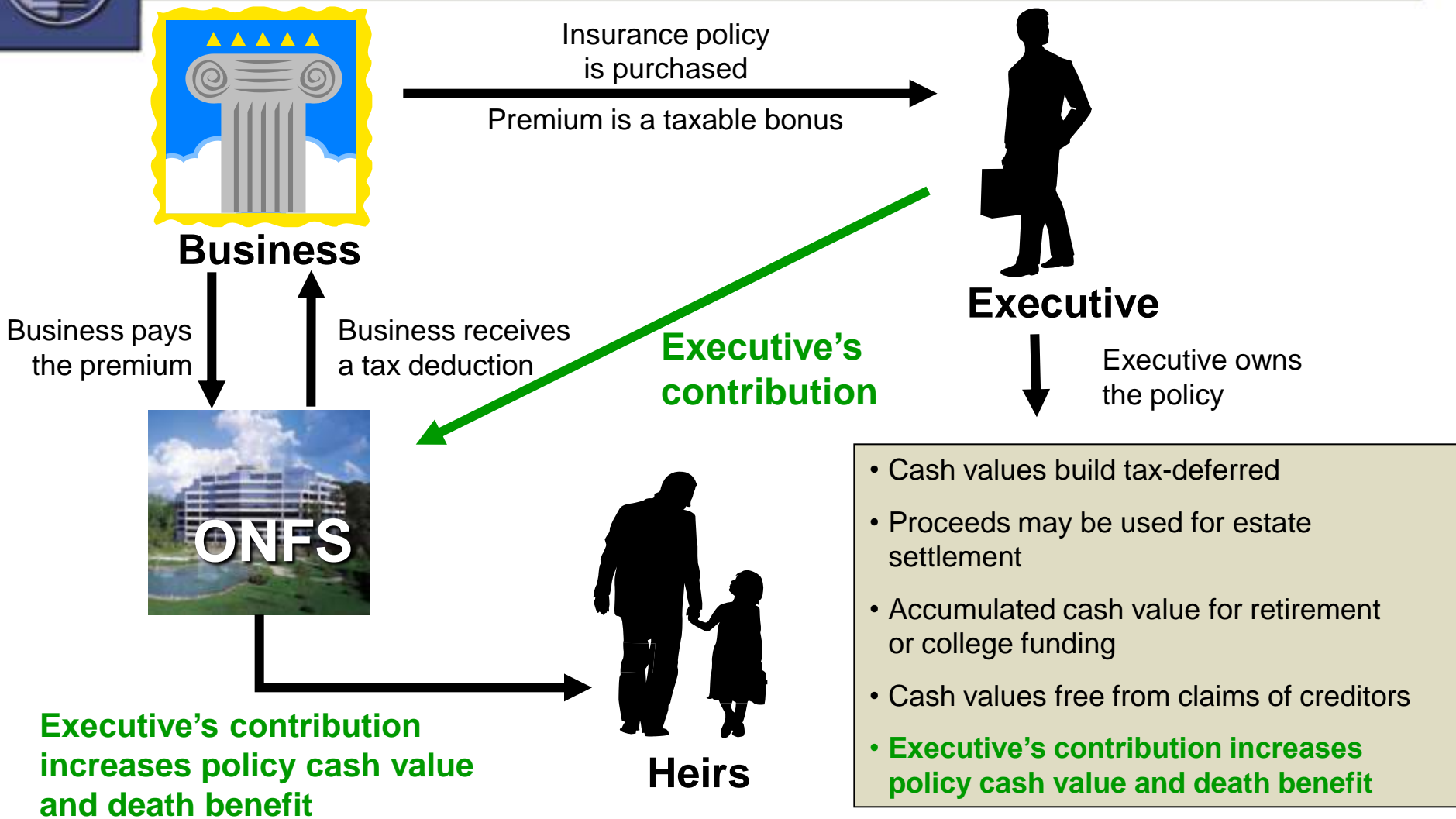
Executive Contribution



Allows employee to add their own money to the premium.

- ◆ Increases death benefit and cash value available under the policy funding the plan
- ◆ Supplements retirement savings

How Executive Contribution Works





Initiating a Plan



Required Information

Name, gender and date of birth of executives to be covered

Amount of coverage desired or premium commitment

Tax brackets of the business and individual executive(s)