

Executive bonus strategy

Attract and retain key talent to help grow your business

Your challenge

Employers commonly award cash bonuses to their key employees because they play a key role in growing the business. Often, these bonuses are spent shortly after receiving them and have a minimal impact on key employee retention.

A better solution

Instead of providing executive bonuses as cash payments, consider leveraging them into a long-term financial tool for your key employees and a potential benefit for their families.

Cash value life insurance can be that tool, and an executive bonus strategy can be the solution. This simple, tax-deductible strategy can provide supplemental benefits to your key employees. You can be selective and reward only top performers.

Why cash value life insurance?

Cash value life insurance is a long-term financial tool that provides a number of benefits during the key employee's entire life:

While working

Death benefit protection provides funds to help ensure your employee's family is cared for financially, should the employee die unexpectedly

Cash value provides a source of funds that can be used during the key employee's lifetime, such as a down payment for purchasing the business from you

After retirement

Death benefit protection used for estate planning needs, including tax-efficient asset transfer to heirs upon the employee's death

Cash value provides supplemental retirement income

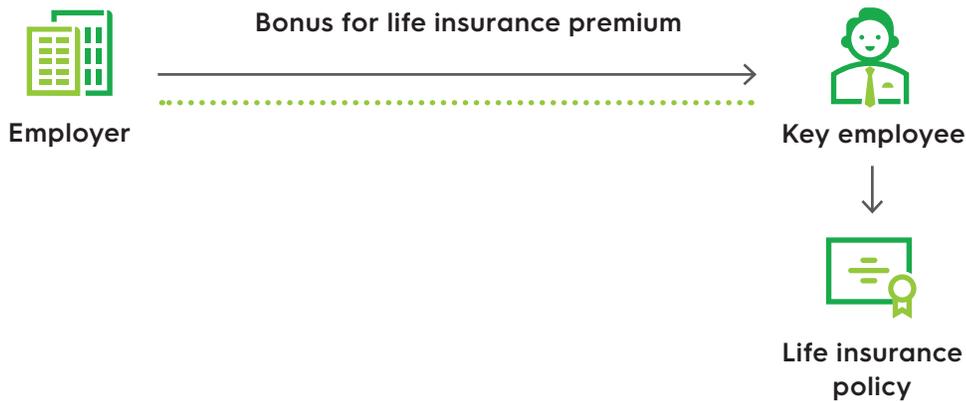
**Because your
business is
your life**

How does an executive bonus with life insurance work?

- You pay a tax-deductible bonus to the employee.
- Your key employee pays income taxes on the bonus amount. However, you may choose to pay the income taxes for the employee as an additional bonus.
- The employee takes out a personal life insurance policy and names a beneficiary.
- The bonus is used to pay the premium on the life insurance policy to Minnesota Life Insurance Company, or Securian Life Insurance Company, a New York authorized insurer.
- Since the employee will own the policy, he or she may use the policy's cash value on a tax-advantaged basis.
- If the employee dies, the death benefit is payable to the beneficiary.

Tax-advantaged basis

The premiums your employees pay into their cash value life insurance policies grow tax-free. When your employees are ready to use the cash value, there are several ways they can do so in a tax-advantaged manner.



Why use an executive bonus strategy?

Company benefits

Simple

- Straightforward implementation and administration
- Reported to IRS as compensation

Cost effective

- Deductible as a business expense
- Minimal cost to administer

Selective

- Choice of rewarding highly compensated employees or management
- No IRS qualifications other than the compensation must be reasonable
- No participation or eligibility rules

Flexible

- No required plan provisions
- Customizable for each key employee
- Can be terminated at any time

Key employee benefits

Death benefit protection

- Protection from premature death
- Income replacement

Flexible financial tool

- Cash value may serve as an “opportunity reserve” – an asset available to help fund unexpected opportunities – during working years
- May be used to supplement retirement income

Portability

- If leaving the company, employee may choose to continue paying premiums on the policy or exercise any rights under the policy provisions

Tax benefits

- Tax-deferred growth of policy cash values
- Tax-advantaged retirement income through policy loans and withdrawals
- Income-tax-free death benefits

Why not use an executive bonus strategy?

Company considerations

- Company does not receive the policy’s death benefit proceeds, should the employee die
- Company has no control over the policy

Key employee considerations

- Bonus is taxable income and will increase the employee’s current income taxes
- Less-healthy individuals may have a more difficult time being approved for life insurance coverage
- Certain limitations may apply to withdrawals
- Policy loans and withdrawals reduce the death benefit and surrender values – and may be taxable under certain circumstances
- To continue coverage, employee may need to increase premium payments, depending on how the policy performs

**At Securian Financial,
we're here for family.
And we're here
because of it.**

Family doesn't have to branch from your tree, but it always shares your roots. Roots woven by common understanding, shared values and mutual respect. Those who believe a rewarding life is really about being present in the here and now, and that your financial picture should support the everyday moments as much as the major milestones. That's why our insurance, investment and retirement solutions give you the confidence to focus on what's truly valuable: banking memories with those who matter most.



Learn more

Want to attract and retain key talent? Contact your financial professional today to find out how you can implement an executive bonus strategy.

Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

Life insurance products contain fees, such as mortality and expense charges (which may increase over time), and may contain restrictions, such as surrender periods.

This information should not be considered as specific tax/legal advice. You should consult your tax/legal advisor regarding your own specific tax/legal situation.

If you pay too much premium, your policy could become a modified endowment contract (MEC). Distributions from a MEC may be taxable, and if the taxpayer is under age 59½ may also be subject to an additional 10% penalty tax.

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Insurance products are issued by Minnesota Life Insurance Company in all states except New York. In New York, products are issued by Securian Life Insurance Company, a New York authorized insurer. Minnesota Life is not an authorized New York insurer and does not do insurance business in New York. Both companies are headquartered in St. Paul, MN. Product availability and features may vary by state. Each insurer is solely responsible for the financial obligations under the policies or contracts it issues.

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F71834-4 Rev 2-2022 DOFU 2-2022
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