Fixed index universal life (FIUL) insurance

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Allianz Life Insurance Company of North America

Executive **bonus plan**

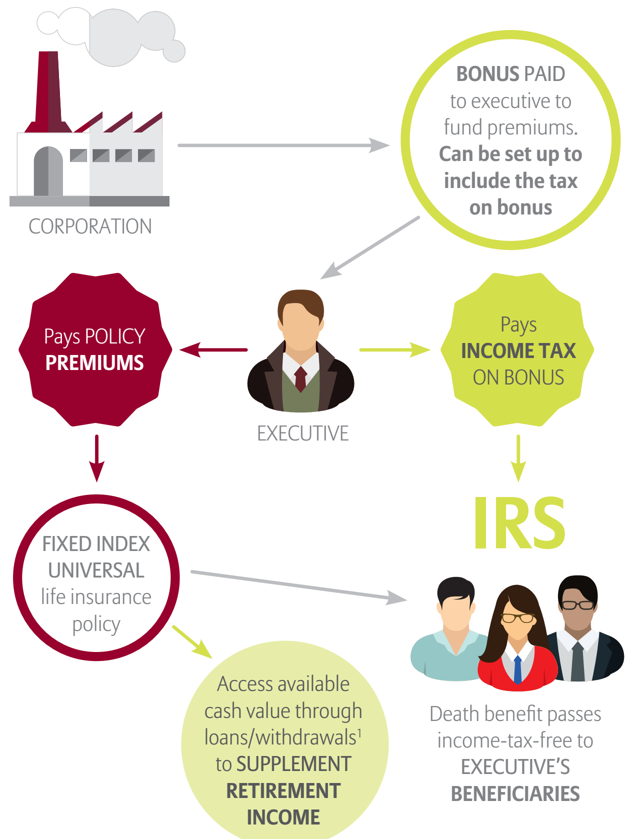
Retain and reward key employees – and get a tax deduction for your business.

As an alternative to paying bonuses in cash, consider a different strategy that offers supplemental benefits for key employees as well as a tax deduction for your business.

Under an executive bonus plan, you still pay a bonus to the employee(s) of your choice. However, your employee uses this bonus to purchase and pay the premium for a fixed index universal life (FIUL) insurance policy that they own. (You also have the option of paying the premium directly to the life insurance company on their behalf.)

How an executive bonus plan works

- You pay a tax-deductible bonus to the employee(s) of your choice.
- The employee pays income tax on the bonus.
- The employee uses the remainder of the bonus to purchase an FIUL policy and names a beneficiary. *Please note: The employee must be insurable; life insurance policies require health and financial underwriting.*
- Because the employee is the owner of the policy, the employee can access any available cash value accumulation through policy loans and withdrawals.[1]



For all that's ahead.®

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[1]Policy loans and withdrawals will reduce the available cash value and death benefit and may cause unintended consequences, including lapse or taxable events. Please see the full loan and withdrawal disclosure within this material for details.

Product and feature availability may vary by state and broker/dealer.

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Benefits to you, the employer

- The bonuses to pay the premium of the insurance policy are tax-deductible for your business.
- No IRS approval is required.
- It can be an effective way to retain and reward employees.
- It's customizable for each key employee, including yourself.

Benefits to the employee

- The employee has ownership and control of the FIUL policy.
- There is generally an income-tax-free death benefit for chosen beneficiaries.
- The employee has access to any available cash value through income-tax-free policy loans or withdrawals;[1] these can be used to supplement retirement income (if the policy is not a MEC).
- Portability of the policy. Since it is employee-owned, the policy can remain with the employee should employment terminate.

Can an executive bonus plan be appropriate for your business? Call your financial professional today to start the discussion.

Considerations

- The business does not have any ownership or other rights to the life insurance policy.
- There are generally costs to the employer for hiring an attorney to draft the executive bonus legal documents.
- The bonus paid to the employee is taxable income.
- The double bonus can cover the employee's tax.

Consult with your tax and legal advisors on the full ramifications of using an executive bonus plan in your business.

Building loyalty with a restricted executive bonus arrangement (REBA)

It has the same benefits and considerations as a typical executive bonus; however, with a REBA, the employee cannot access the available cash value without the employer's consent.

If the employee remains with the business until a predetermined date (which is listed in the formal agreement you have drawn up by a licensed attorney), the restriction on the policy will be lifted, and the employee with have access to any available cash value accumulation.

This type of strategy – sometimes known as "golden handcuffs" – can encourage loyalty from your key employees.

[1]Policy loans and withdrawals will reduce the available cash value and death benefit and may cause the policy to lapse, or affect guarantees against lapse. Withdrawals in excess of premiums paid will be subject to ordinary income tax. Additional premium payments may be required to keep the policy in force. In the event of a lapse, outstanding policy loans in excess of unrecovered cost basis will be subject to ordinary income tax. If a policy is a modified endowment contract (MEC), policy loans and withdrawals will be taxable as ordinary income to the extent there are earnings in the policy. If any of these features are exercised prior to age 59½ on a MEC, a 10% federal additional tax may be imposed. Tax laws are subject to change and you should consult a tax professional.