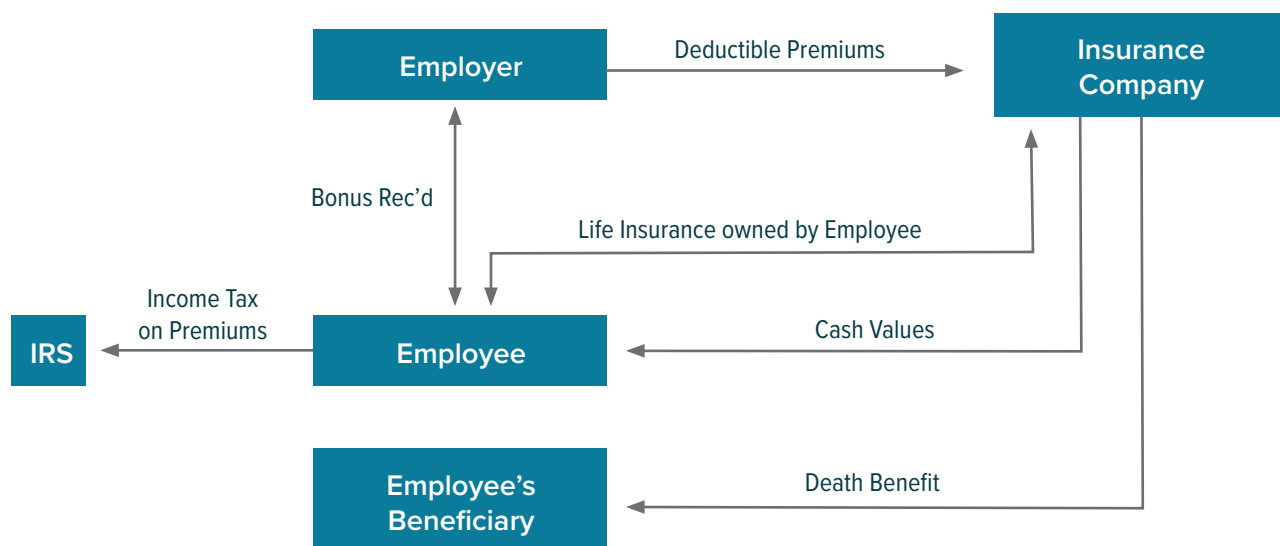


EXECUTIVE BONUS PLAN

An Executive Bonus Plan (also referred to as a “162 Bonus Plan”) is a simple, low-cost way for an employer to attract and/or reward key employees—particularly in a small to mid-size closely held business or any S-corporation. The employer pays a bonus to selected employees in an amount equal to the annual premium on a life insurance policy on the employee’s life. The employee owns the policy and has the right to name the policy’s beneficiaries. The employer may also elect to pay the taxes on the bonus for the employee (sometimes referred to as a “double bonus” from the days when the income tax bracket was as high as 50%). By paying the tax on the bonus, there is no out-of-pocket cost to the employee. The plan may be made available to both stockholder-employees and non-stockholder employees. The employer can pick and choose who is to be covered under this arrangement.

How It Works:



While this communication may be used to promote concepts discussed in the publication, it is intended to provide general information and is provided with the understanding that Pinnacle Executive Benefits is not rendering legal, accounting, or tax advice. It may not be used to avoid penalties under the Internal Revenue Code. On all matters pertaining to legal, tax or accounting obligations and requirements, the appropriate counsel or other advisors should be consulted.

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