Executive Bonus Plan

Providing Important Benefits For Valuable Employees

PRESENTED BY

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Executive Bonus Plans

The Concern

In today's increasingly competitive environment, finding a cost-effective way to reward your key employees can be challenging. Qualified plans have preferential tax treatment, but they have strict administration requirements, and you must include all employees and reward everyone to the same degree, regardless of the benefit they bring to your company. Non-qualified Salary Deferral Plans and Supplemental Executive Retirement Plans (SERPs) allow you to reward key employees in a discriminatory fashion, and are easier to administer than qualified plans. However, they still require plan documents and ongoing administration, as well as being subject to Section 409A of the tax code. How can you reward your most productive employees in a way that is flexible, cost effective, and simple to administer?

The Solution

An Executive Bonus Plan may be able to help. An Executive Bonus plan is appealing to your key employees, tax deductible to you as their employer, and simple to implement and administer.

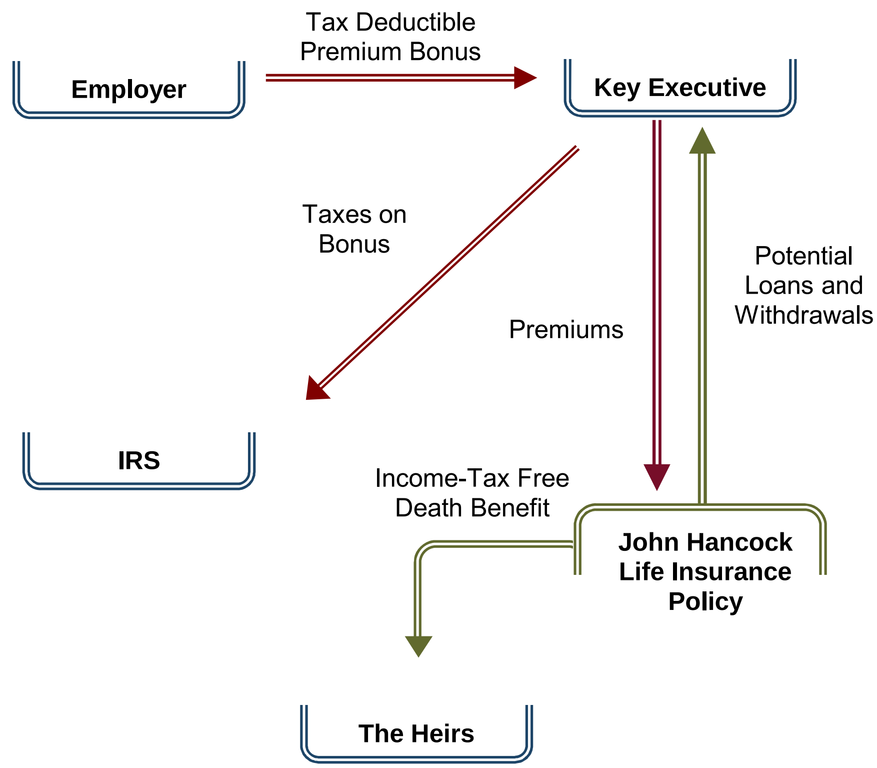
How Does It Work?

You determine which employees you would like to include in the plan, as well as the amount of bonus each employee should receive. You may pick and choose among your most valuable employees, and reward each employee at a different level. You will enter into a separate agreement with each employee, promising to pay the life insurance policy premium via a bonus as long as the employee remains with the company. The bonus will be tax-deductible to you as long as it meets reasonable compensation guidelines.[1]

The executive will apply for a life insurance policy on his or her own life, and retain all rights of ownership in the policy, including access to the policy cash value and the right to name the beneficiary of the death benefit. You will pay the life insurance premium on the executive's behalf, and include this amount as a bonus in the executive's taxable compensation. The executive will be responsible for paying the income tax due on the bonus; however, you also have the option to increase the bonus amount to cover the executive's taxes. This approach is called a "double bonus". You can discriminate among employees, providing a double bonus for some and not others, if desired.

Pre-retirement, the executive enjoys cost-effective death benefit protection for his or her family, as the only cost to the executive will be the tax on the bonus, or even no cost, if you elect to provide a double-bonus. The life insurance policy cash value (owned by the executive without restrictions) will grow on a tax-deferred basis. At retirement, the executive may be able to use the potential cash value in any way desired, including supplementing retirement income through policy loans and withdrawals.

How it Works



Executive Bonus Plans

Benefits

EMPLOYER

- An Executive Bonus Plan is an attractive addition to your executive's total compensation package and entices key employees to stay with the company.
- The Bonus Plan provides an incentive for participating employees to remain with the company as future bonuses are contingent on continued employment.
- You can pick and choose who can be part of the plan and provide different bonus levels for different participants.
- The Bonus Plan is simple to administer and has minimal implementation costs.
- The amount of the bonus is tax deductible to the company, regardless of corporate strucutre, providing a tax-deductible benefit to reward the non-owner employees of an S-Corporation, Partnerships and even a Sole Proprietorship.

EXECUTIVE

- Your key employees benefit from a low-cost life insurance policy for as long as they remain with the company. Because the employer pays the premium, the only cost to the executive is the income tax on the bonus. If a double bonus arrangement is used, there is no cost to the executive.
- The executives own their own policies and are able to take them with them should they leave.
- The potential cash value of the policy can be accessed to supplement retirement income or to cover other unexpected expenses.
- The bonus is immediately vested.

Considerations

EMPLOYER

- If you want to provide a more rigorous incentive to stay with the company, you can use a Restrictive Endorsement Bonus Arrangement (REBA) in which a vesting schedule and cost recovery can be added to the Bonus Plan. In this way you can add "golden handcuffs" to your benefits plan.

EXECUTIVE

- If you leave the company, you will be required to pay any remaining premiums on the policy out of pocket to keep it in force.
- Life insurance policies have charges associated with them such as the cost of insurance and potential surrender charges. Please consult the attached basic illustration for more information.
- Withdrawals and loans have the effect of reducing the death benefit and cash surrender value and may cause the policy to lapse. Lapse of a life insurance policy can cause the loss of the death benefit and potential adverse income tax consequences. A decline in the hypothetical rate of return and/or current interest crediting rate can result in a decline in the cash value available for loans and withdrawals.
- If the policy is classified as a MEC, the withdrawals and loans may be subject to tax at the time the withdrawal or loan is made. An additional federal tax may also apply if the withdrawal or loan is taken from a MEC prior to age 59 ½.

Benefit Summary and Flowchart - Life Insurance

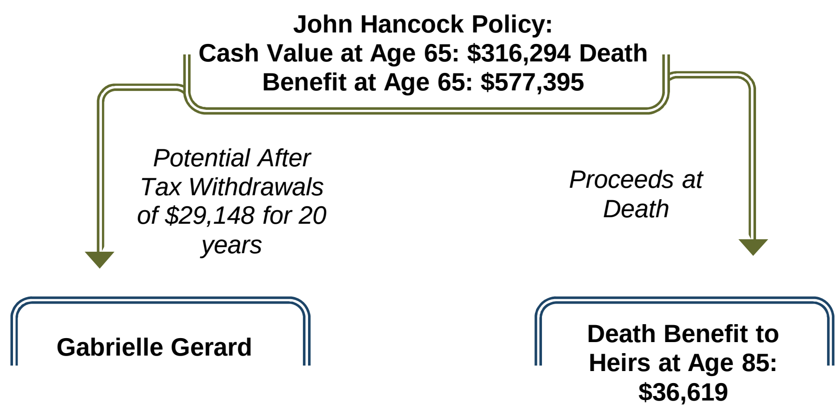
Policy Details

Product:	Accumulation IUL 17	Initial Premium:	$10,000
Insured(s):	Gabrielle Gerard	Initial Death Benefit:	$289,280
	Female Age 45, Preferred NonSmoker,28.0% tax bracket		

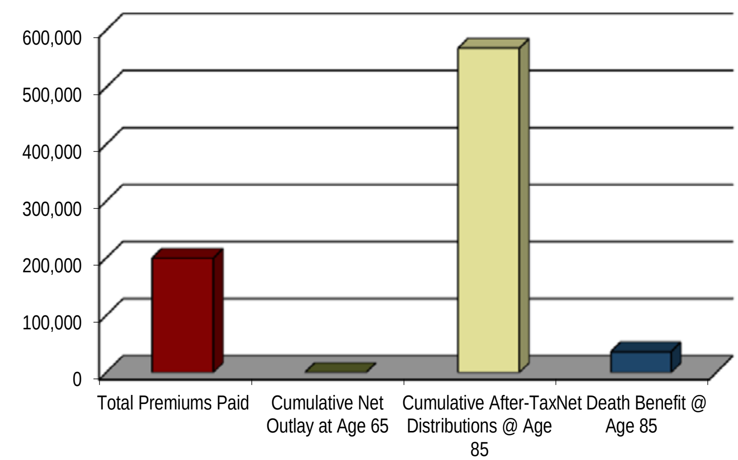
Summary Of Values

Life Insurance Values	
Initial Death Benefit	$289,280
Annual Premium	$10,000
Number of Years	20
Bonus Plan Summary	
Cumulative Bonuses at Age 65	$277,778
Cumulative Premiums at Age 65	$200,000
Cumulative Taxes at Age 65	$77,778
Cumulative Net Outlay at Age 65	$0
At Retirement Age 65	
Planned Gross Annual Distributions	$29,148
Planned Annual After-Tax Distributions	$29,148
Cash Surrender Value at Age 65	$316,294
Net Death Benefit at Age 65	$577,395
At Age 85	
Cumulative Gross Annual Distributions	$568,386
Cumulative Annual After-Tax Distributions	$568,386
Cash Surrender Value at Age 85	$14,150
Net Death Benefit at Age 85	$36,619

How it Works At Retirement



Summary



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Executive Bonus Plan for Gabrielle Gerard

		BONUS				CORPORATION		EXECUTIVE						
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Year	Attained Age	Bonus for Premium	Cumulative Premium Bonus	Bonus For Taxes	Total Bonus 1+3	Tax Savings On Bonus @28.0% 4x28.0%	Net Outlay 4-5	Taxes Due (4)x28.0%	After-Tax Bonus 4-7	Annual Premium	Net Outlay 8-9-11	Withdrawals and Loans	Cash Surrender Value	Death Benefit
1	46	10,000	10,000	3,889	13,889	3,889	10,000	3,889	10,000	10,000	0	0	1,211	297,052
2	47	10,000	20,000	3,889	13,889	3,889	10,000	3,889	10,000	10,000	0	0	9,528	305,236
3	48	10,000	30,000	3,889	13,889	3,889	10,000	3,889	10,000	10,000	0	0	18,231	313,804
4	49	10,000	40,000	3,889	13,889	3,889	10,000	3,889	10,000	10,000	0	0	28,792	323,068
5	50	10,000	50,000	3,889	13,889	3,889	10,000	3,889	10,000	10,000	0	0	39,022	332,814
6	51	10,000	60,000	3,889	13,889	3,889	10,000	3,889	10,000	10,000	0	0	50,185	343,514
7	52	10,000	70,000	3,889	13,889	3,889	10,000	3,889	10,000	10,000	0	0	62,040	354,901
8	53	10,000	80,000	3,889	13,889	3,889	10,000	3,889	10,000	10,000	0	0	74,583	367,038
9	54	10,000	90,000	3,889	13,889	3,889	10,000	3,889	10,000	10,000	0	0	88,306	379,992
10	55	10,000	100,000	3,889	13,889	3,889	10,000	3,889	10,000	10,000	0	0	102,585	393,837
11	56	10,000	110,000	3,889	13,889	3,889	10,000	3,889	10,000	10,000	0	0	118,229	409,079
12	57	10,000	120,000	3,889	13,889	3,889	10,000	3,889	10,000	10,000	0	0	134,782	425,292
13	58	10,000	130,000	3,889	13,889	3,889	10,000	3,889	10,000	10,000	0	0	152,421	442,536
14	59	10,000	140,000	3,889	13,889	3,889	10,000	3,889	10,000	10,000	0	0	171,159	460,874
15	60	10,000	150,000	3,889	13,889	3,889	10,000	3,889	10,000	10,000	0	0	191,059	480,373
16	61	10,000	160,000	3,889	13,889	3,889	10,000	3,889	10,000	10,000	0	0	213,174	502,454
17	62	10,000	170,000	3,889	13,889	3,889	10,000	3,889	10,000	10,000	0	0	236,649	525,929
18	63	10,000	180,000	3,889	13,889	3,889	10,000	3,889	10,000	10,000	0	0	261,600	550,880
19	64	10,000	190,000	3,889	13,889	3,889	10,000	3,889	10,000	10,000	0	0	288,115	577,395
20	65	10,000	200,000	3,889	13,889	3,889	10,000	3,889	10,000	10,000	0	0	316,294	577,395
21	66	0	200,000	0	0	0	0	0	0	0	(29,148)	29,148	308,069	366,602
22	67	0	200,000	0	0	0	0	0	0	0	(29,148)	29,148	299,365	353,251
23	68	0	200,000	0	0	0	0	0	0	0	(29,148)	29,148	290,151	339,477
24	69	0	200,000	0	0	0	0	0	0	0	(29,148)	29,148	280,394	325,257
25	70	0	200,000	0	0	0	0	0	0	0	(29,148)	29,148	270,058	310,567
26	71	0	200,000	0	0	0	0	0	0	0	(29,148)	29,148	259,089	292,771
27	72	0	200,000	0	0	0	0	0	0	0	(29,148)	29,148	247,375	275,416
28	73	0	200,000	0	0	0	0	0	0	0	(29,148)	29,148	235,032	259,535
29	74	0	200,000	0	0	0	0	0	0	0	(29,148)	29,148	221,988	242,256
30	75	0	200,000	0	0	0	0	0	0	0	(29,148)	29,148	208,159	223,496

Executive Bonus Plan for Gabrielle Gerard

		BONUS				CORPORATION		EXECUTIVE						
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Year	Attained Age	Bonus for Premium	Cumulative Premium Bonus	Bonus For Taxes	Total Bonus 1+3	Tax Savings On Bonus @28.0% 4x28.0%	Net Outlay 4-5	Taxes Due (4)x28.0%	After-Tax Bonus 4-7	Annual Premium	Net Outlay 8-9-11	Withdrawals and Loans	Cash Surrender Value	Death Benefit
31	76	0	200,000	0	0	0	0	0	0	0	(29,148)	29,148	193,506	209,696
32	77	0	200,000	0	0	0	0	0	0	0	(29,148)	29,148	177,903	194,934
33	78	0	200,000	0	0	0	0	0	0	0	(29,148)	29,148	161,283	179,142
34	79	0	200,000	0	0	0	0	0	0	0	(29,148)	29,148	143,577	162,246
35	80	0	200,000	0	0	0	0	0	0	0	(29,148)	29,148	124,708	144,167
36	81	0	200,000	0	0	0	0	0	0	0	(29,148)	29,148	104,619	124,846
37	82	0	200,000	0	0	0	0	0	0	0	(29,148)	29,148	83,195	104,164
38	83	0	200,000	0	0	0	0	0	0	0	(29,148)	29,148	60,342	82,021
39	84	0	200,000	0	0	0	0	0	0	0	(29,148)	29,148	35,956	58,311
40	85	0	200,000	0	0	0	0	0	0	0	(14,574)	14,574	14,150	36,619
41	86	0	200,000	0	0	0	0	0	0	0	0	0	14,890	37,886
42	87	0	200,000	0	0	0	0	0	0	0	0	0	15,667	39,202
43	88	0	200,000	0	0	0	0	0	0	0	0	0	16,481	40,569
44	89	0	200,000	0	0	0	0	0	0	0	0	0	17,335	41,989
45	90	0	200,000	0	0	0	0	0	0	0	0	0	18,230	43,464
46	91	0	200,000	0	0	0	0	0	0	0	0	0	19,168	39,831
47	92	0	200,000	0	0	0	0	0	0	0	0	0	20,153	36,015
48	93	0	200,000	0	0	0	0	0	0	0	0	0	21,184	32,009
49	94	0	200,000	0	0	0	0	0	0	0	0	0	22,266	27,806
50	95	0	200,000	0	0	0	0	0	0	0	0	0	23,400	23,400
51	96	0	200,000	0	0	0	0	0	0	0	0	0	24,590	24,590
52	97	0	200,000	0	0	0	0	0	0	0	0	0	25,837	25,837
53	98	0	200,000	0	0	0	0	0	0	0	0	0	27,144	27,144
54	99	0	200,000	0	0	0	0	0	0	0	0	0	28,515	28,515
55	100	0	200,000	0	0	0	0	0	0	0	0	0	29,953	29,953
56	101	0	200,000	0	0	0	0	0	0	0	0	0	31,460	31,460
57	102	0	200,000	0	0	0	0	0	0	0	0	0	33,040	33,040
58	103	0	200,000	0	0	0	0	0	0	0	0	0	34,697	34,697
59	104	0	200,000	0	0	0	0	0	0	0	0	0	36,434	36,434
60	105	0	200,000	0	0	0	0	0	0	0	0	0	38,255	38,255

Glossary

The following terms and phrases may be helpful to you as you consider this presentation.

Annual Vested Amount – This amount represents the portion of the bonus which vests in any given year. The Annual Vested Amount is taxable to the employee and tax-deductible to the employer in the year it vests.

Bonus for Premium – This amount represents the portion of the total bonus which will be used to pay the annual policy premium.

Bonus for Taxes – This amount represents an additional bonus to help the employee pay the taxes due on the premium bonus. This is sometimes called a "double bonus" or a "grossed-up bonus."

Cumulative Unvested Amount – This amount represents the cumulative amount of bonus which would need to be repaid should the employee leave the company before the end of the vesting period.

Tax Savings on Bonus – This amount represents the estimated tax savings the employer could receive as a result of deducting the vested bonus from its annual income for that year. The amounts shown in this output are only estimates based on information provided by you, the client, and should not be used to determine actual tax liability. Consult your professional tax advisor for more information.

Withdrawal and Loans – This is the amount of annual withdrawals and loans assumed to be taken by the employee in any given year from the policy to supplement income. Typically, to avoid paying income taxes on distributions from a life insurance policy, withdrawals are taken from the policy up to its cost basis. Thereafter, policy loans, on which there are no taxes recognized, are taken.

Assumptions

COMPANY INFORMATION		
Company Name	Successful Business	
Company Tax Bracket	28.00%	
Focus Year	10	Year to highlight corporate values

PRESENTER INFORMATION			
Presenter's Name	Advanced Markets	City, State ZIP	Boston, MA 02116
Agency Name	John Hancock	Telephone/Fax	888-266-7498, Option #3 /
Address	197 Clarendon St.	E-Mail Address	AdvancedMarkets@Jhancock.com

PARTICIPANT INFORMATION

Participant	Age	Sex	Risk Class	Vitality Status	Retirement Age	Salary	Salary Growth	Tax Bracket	Plan Objective	Amounts/ Duration	Double Bonus
Gabrielle Gerard	45	Female	Preferred NonTobacco	Gold	65	$150,000	0.00%	28.0%	Specify A Premium Amount	$10,000/yr paid to retirement	Yes

PARTICIPANT INFORMATION

Participant	Vesting Information	Years for Policy Distributions	Life Track Billing	Policy Name	State	Initial Death Benefit	Policy Premium	Premium Years	Crediting Rate Breakdown
Gabrielle Gerard	None - Bonus Plan	Specified Yrs: 21 to 40		Accumulation IUL 17	MI	$297,052	$10,000	20	See Basic Illustration

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Disclosure

The Restrictive Endorsement Bonus Arrangement (REBA)/Executive Bonus Plans (EBP) program is a planning tool designed to assist you in exploring potential employee benefit and planning options through the use of life insurance and investment strategies. However, this presentation is not intended to be a retirement/benefit plan nor is it a specific recommendation for a retirement/benefit plan. This presentation is for illustrative purposes only. Before you make any business, estate, or retirement planning decisions, your legal and tax advisors should be consulted to determine (1) the suitability of a particular planning alternative for you and (2) the precise legal, tax, investment, and accounting consequences of that alternative. John Hancock and its agents, employees, and registered representatives do not give legal, tax, accounting or investment advice, and this presentation and any other oral or written communication should not be construed as such. As you explore your planning needs with your legal and tax advisors, we hope that you find this analysis useful.

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Generally speaking, no governmental approval is needed to establish a REBA/EBP, although under some circumstances, a REBA/EBP can be considered a “plan” for ERISA (Employee Retirement Income Security Act of 1974) purposes. Whether a proposed REBA/EBP is subject to the provisions of ERISA and its reporting requirements must be determined on a case-by-case basis. If REBA/EBPs cover multiple employees, it is more likely that the REBA/EBPs taken together as a whole will be considered a “plan” for ERISA purposes. If a plan is deemed to exist for ERISA purposes, it may qualify for the limited reporting requirements of a “top hat” plan (i.e., a plan that covers only select management or “highly compensated” employees). Top hat plans must be in writing and set forth claims procedures and the identity of the plan fiduciary. In addition, a statement must be filed with the Department of Labor within 120 days of the adoption of a pension plan that meets the top hat requirements. No such filing is necessary for a welfare benefit plan that meets the top hat requirements. If the plan is a top hat plan, plan documents must be made available upon request. Furthermore, a top hat plan that is “funded” is subject to participation and funding requirements under ERISA. The proponent of a REBA/EBP (that may be considered a top hat plan for ERISA purposes) should consider naming a fiduciary with the authority to administer the plan and should consult their legal advisors on other applicable ERISA requirements.

Figures used in this program illustrate various benefit/retirement planning concepts, which are based upon both assumptions and data provided by you, the client. Your furnishing of accurate data will help enhance the value of this analysis. However, all assumed growth rates for assets are based upon information provided and assumed by you and are not a guarantee of the future performance of the life insurance policy. Please review the assumptions page for accuracy of information. This supplemental illustration assumes that the currently illustrated non-guaranteed elements will continue for all years shown. This is not likely to occur and actual results may be more or less favorable than those shown. The actual consequences of a particular planning alternative will depend on many variables, some of which may not be accounted for or fully described in this presentation. Unless otherwise indicated, the income tax, estate tax, and generation-skipping transfer (GST) tax implications of other specific transactions are not reflected in the analysis. Before you make any investment, estate or tax planning decisions (or change title to any assets or change beneficiary designations), your legal and tax advisors should be consulted to determine (1) the suitability of a particular planning alternative for you, and (2) the precise legal, tax, investment, and accounting consequences of that alternative.

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All guarantees and benefits of the insurance policy are backed by the claims-paying ability of the issuing insurance company. Policy guarantees and benefits are not backed by the broker/dealer and/or insurance agency selling the policy, nor by any of their affiliates, and none of them makes any representations or guarantees regarding the claims-paying ability of the issuing insurance company.

Footnotes

1. The amount of the bonus that the employer is able to deduct is subject to reasonable compensation limits. A detailed discussion of this is beyond the scope of this document, clients should consult their tax advisors.

Long-Term Care Rider

What is a Long-Term Care Rider?

A Long-Term Care (LTC) Rider is a rider that can be added to your insurance policy to advance a portion of the death benefit to you in the event that you need help taking care of yourself due to physical or cognitive impairment.

You will be covered for skilled, intermediate, or custodial care in the setting of your choice: at home, in an assisted living facility, nursing home, adult day care center, or a hospice facility. Qualified Long-Term Care rider benefits are generally received on a tax-favored basis.

Why would I consider adding a Long-Term Care Rider to my policy?

You have already determined that you need a life insurance death benefit to protect your family. At the same time, you may also be concerned about long-term care expenses depleting your estate should you become unable to take care of yourself. A life insurance policy with a LTC Rider can protect both you and your family at the same time. It can protect your beneficiaries in the event of your untimely death, and if you become impaired it can provide funds to help pay for long-term care needs. Most importantly, a LTC Rider can offer you options, by providing you with a source of funds to pay for care in the setting of your choice.

How Does John Hancock's Long-Term Care Rider Work?

You begin by selecting the LTC benefit pool amount (Accelerated Benefit Amount), ranging from a minimum of 1% to a maximum of 100% of the initial face amount.. At the same time, you also choose the Long-Term Care rider's Maximum Monthly Benefit Amount. This is the amount that would potentially be available each month to cover long-term care costs if that need ever arose. The Maximum Monthly Benefit Amount is expressed as a percentage of your policy's Accelerated Benefit Amount; the options are either 1%, 2%, or 4%. The amount chosen will then be available monthly, to help pay the cost of long-term care for as long as you need it, up to the point that the policy's Accelerated Benefit Balance has been completely exhausted. The Long-Term Care rider offers you the ability to choose where you receive your care.

Important Considerations

The purpose of this communication is the solicitation of Long-Term Care rider coverage.

The Long Term Care (LTC) Rider accelerates the death benefit. The Maximum Monthly Benefit Amount (MMBA) is $50,000. The LTC rider is not considered long-term care insurance in some states. When the death benefit is accelerated for long-term care expenses, the death benefit is reduced dollar for dollar, and the cash value is reduced proportionally. The policy account value is also reduced proportionally. There are additional costs associated with this rider. The Rider is subject to underwriting and a medical exam may be required to determine eligibility.

This rider has exclusions and limitations, reductions of benefits, and terms under which it may be continued in force or discontinued. Please contact the licensed producer or John Hancock for more information, cost, and complete details on coverage.

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Policy Form ICC13 14LTCR
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