

Non-qualified benefit plan features at a glance

BUSINESS PLANNING

PLAN	162 BONUS PLAN	REBA	SALARY DEFERRAL	SERP	KEY PERSON COVERAGE
Target Employer	<ul style="list-style-type: none"> Wants to reward selected key employees Wants to avoid plan administration Wants a current tax deduction 	Same as 162 Bonus, plus: <ul style="list-style-type: none"> Wants some control over how employee uses policy cash values Wants to potentially recover costs if employee leaves early 	<ul style="list-style-type: none"> Wants to reward selected key employees Wants maximum control of plan and assets Wants cost recovery of plan outlay Does not need immediate tax deduction Does not mind some plan administration Wants employee to contribute to plan costs 	<ul style="list-style-type: none"> Wants to reward selected key employees Wants complete control of plan and assets Wants cost recovery of plan outlay Does not need immediate tax deduction Does not mind some plan administration Is willing to fund plan without employee contributions 	<ul style="list-style-type: none"> Has a key executive whose loss would cause great harm to business Loss of key executive would disrupt sales, creditors, and/or customers Would incur great expense to replace and train replacement
Target Employee	<ul style="list-style-type: none"> Highly compensated and/or key employee that employer is looking to provide with an additional benefit Has life insurance need, and may want to supplement retirement income as well Wants maximum control over plan assets 	Same as 162 Bonus	<ul style="list-style-type: none"> Highly compensated employee Maxed out on 401(k) plan In a high tax bracket and wants to defer more income 	<ul style="list-style-type: none"> Highly compensated employee Maxed out on 401(k) plan 	<ul style="list-style-type: none"> Key executive Has special knowledge of the corporation's operations and products or has special creative talents Is a "rainmaker" Has special relationship with customers or creditors
Benefits	<ul style="list-style-type: none"> Possible welfare benefit plan – minimal ERISA compliance Can be selective in terms of who participates Can have different bonus amounts for each selected employee Tax-deductible Minimal administration Cost effective to employee Policy can be outside of insured's estate 	<ul style="list-style-type: none"> Possible welfare benefit plan – minimal ERISA compliance All the benefits of a 162 Bonus Plan, with added protection for the employer (golden handcuffs) Potential cost recovery of unvested benefits Easy to set up and administer Encourages employee loyalty 	<ul style="list-style-type: none"> Top-Hat Plan – minimal ERISA compliance Can discriminate in participants, vesting, and corporate match Can provide employer cost recovery Immediate plan funding with life insurance Employee deferral of income, as much as employer will allow Employee receives additional retirement benefit 	<ul style="list-style-type: none"> Top-Hat Plan – minimal ERISA compliance Can discriminate in participants, vesting, and funding Can have different benefit levels for different employees Can provide employer cost recovery Immediate plan funding with life insurance Employee receives an additional retirement benefit 	<ul style="list-style-type: none"> Provides source of income to cover death of key person Provides access to policy cash values in case of unexpected expenses Could use policy cash value at retirement to fund a benefit for employee Where available, policy may include a "critical illness benefit rider" that provides an additional pool of tax-free income in case key person is diagnosed with a covered critical illness (e.g., cancer, stroke, etc.)

PLAN	162 BONUS PLAN	REBA	SALARY DEFERRAL	SERP	KEY PERSON COVERAGE
Policy Owner	Employee	Employee	Employer	Employer	Employer
Plan Administration	Little to none	<ul style="list-style-type: none"> • Little to medium - employer must keep track of vested and unvested amounts • Must comply with 409A regulations but impact of 409A is generally minimal for a REBA 	<ul style="list-style-type: none"> • High • Must comply with 409A regulations • Employee must sign consent to insure (101(j) compliance) 	<ul style="list-style-type: none"> • High • Must comply with 409A regulations • Employee must sign consent to insure (101(j) compliance) 	<ul style="list-style-type: none"> • Little to none • Employee must sign consent to insure (101(j) compliance) • If used to fund a retirement benefit, must comply with 409A
Employer Deductibility	Yes	Yes, as benefit vests to employee	<ul style="list-style-type: none"> • Pre-retirement contributions to the funding vehicle are not deductible • Retirement benefit payments are deductible as they are paid out 	<ul style="list-style-type: none"> • Pre-retirement contributions to the funding vehicle are not deductible • Retirement benefit payments are deductible as they are paid out 	No
Employer Cost Recovery	No	Yes, for unvested portion of bonuses paid if employee terminates employment early	Yes	Yes	Yes
Employee Tax Deferral	<ul style="list-style-type: none"> • Premiums are reportable as income but policy cash values grow tax deferred. • Employer could pay tax cost via a double-bonus. 	<ul style="list-style-type: none"> • Premiums are reportable as income but policy cash values grow tax deferred. • Employer could pay tax cost via a double bonus. 	Yes, amounts contributed are tax deferred until received by employee	Yes, amounts contributed are tax deferred until received by employee	N/A
Degree of "Golden Handcuffs"	Low	Medium	High	High	N/A

Section 409A of the Internal Revenue Code imposes extensive substantive requirements on arrangements that purport to accomplish a deferral of income or the taxation of income. By its own provisions, failure to satisfy these requirements will result in the loss of deferral of recognition and taxation of the income. Section 101(j) of the Internal Revenue Code imposes income tax on the death benefit of life insurance contracts owned by the employer of the life insured unless certain exceptions apply. All such exceptions include satisfaction of notice and consent requirements set forth in the section. IRS Notice 2009-48 provides additional clarification of the rules for employer-owned life insurance.

This material does not constitute tax, legal, investment or accounting advice and is not intended for use by a taxpayer for the purposes of avoiding any IRS penalty. Comments on taxation are based on tax law current as of the time we produced the material.

All information and materials provided by John Hancock are to support the marketing and sale of our products and services, and are not intended to be impartial advice or recommendations.

John Hancock and its representatives will receive compensation from such sales or services. Anyone interested in these transactions or topics may want to seek advice based on his or her particular circumstances from independent advisors. Insurance products are issued by: John Hancock Life Insurance Company (U.S.A.), Boston, MA 02116 and John Hancock Life Insurance Company of New York, Valhalla, NY 10595.

MLINY053118214

INSURANCE PRODUCTS:		
Not FDIC Insured	Not Bank Guaranteed	May Lose Value
Not a Deposit	Not Insured by Any Federal Government Agency	