

# Controlled Executive Bonus Plans with Asset-Care®

## What is it?

A Controlled Executive Bonus Plan — also known as a Restrictive Bonus or Section 162 plan — is an agreement that typically allows employers to use tax deductible money as a “bonus” to fund a life insurance policy for high-value employees. With Asset-Care, that policy also includes benefits for qualifying long-term care (LTC).

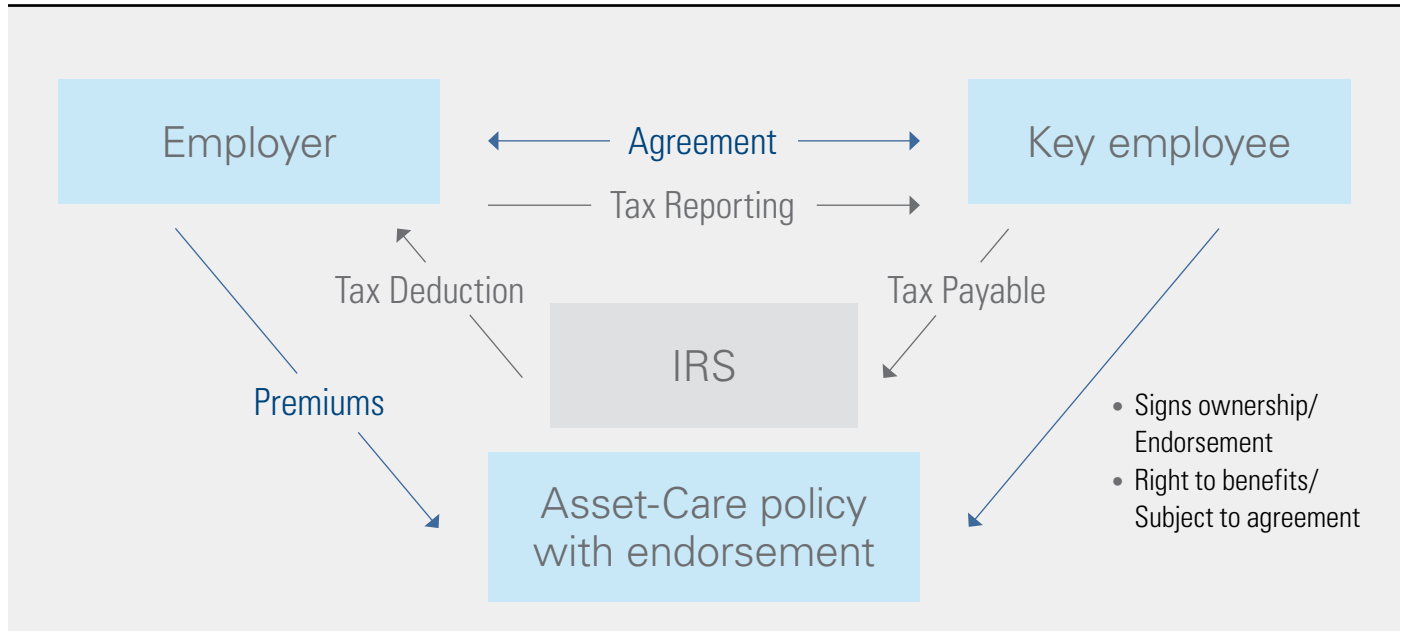
## Ownership

This agreement allows the employee to apply for and own a life insurance policy with an endorsement. The endorsement gives the employee the right to name beneficiaries and receive the cash value of the

policy after a restriction period agreed upon by both parties. Restrictions can be based on the employee’s age, years of service or other parameters. During the restriction period an employee’s access to the policy may be limited, and they may not be allowed to surrender the policy, take withdrawals or change ownership without agreement from the employer.

If an employee leaves the company during a restricted period, it’s possible that the employer may require the employee repay some or all of the “bonus” premium in exchange for access.

## Illustration of how a Controlled Executive Bonus Plan can work



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### Payment

The employer pays the “bonus” as a premium directly to the insurance company, and can take a current deduction for the money paid. This can be paid in a single lump sum, over 10 to 20 years or for the insured’s lifetime.

### Taxability

Although the employee must report the life insurance premiums paid each year as taxable compensation, employers can minimize the burden by providing enough bonus to cover both the life insurance premium and any income taxes due.

### Why do I need it?

Controlled executive bonus plans are a great way for employers to attract and retain key employees. These plans have significant benefits for both employers and employees:

### Benefits

Employer	Employee
Ability to select which employees can participate.	Permanent life insurance protection with available long-term care benefits.
No IRS restriction or approval, no mandatory eligibility or participation rules.	Income tax-free benefits paid to beneficiaries at death.
Minimal administration; no government forms or reporting requirements.	Tax-deferred growth of policy cash values.
“Bonus premiums” are tax-deductible.	Unrestricted ownership of policy and values after restriction period ends.
Helps recruit, retain and reward high value employees.	

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