

Success stories
Principal® Bonus

One solution
helps meet
multiple
retirement
needs

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Background

The client was an established, mid-size non-profit with two co-founders. A few of the company's key employees recently had been hired away by competitors offering higher salaries and signing bonuses. The firm sought a new incentive program that would help retain top employees, while still providing a current tax deduction.

Solution

The financial professional leaned on the expertise of our Business and Advanced Solutions team to help the client select and implement a Principal® Bonus (Tax Exempt) plan with the following design and funded with indexed UL:

- Four participants, segmented into two groups – founders (2), key employees (2). This allowed the design to be similar for all participants but to vary the annual amount - \$50,000 for each founder and \$25,000 for each employee.
- The tiered structure enabled a key employee retention component with two provisions. A **restrictive agreement** requiring the employees to get employer consent before accessing policy cash values within the first five years in the plan. And a **repayment obligation** requiring employees to repay the premiums if they leave within the first five years. Principal provided a sample repayment agreement the client's attorney could simply customize and execute.
- Principal Accelerated UnderwritingSM was used for two participants, expediting the process. One participant was uninsurable and will receive a cash bonus instead.

Results

- The firm got a way to **generate more retirement savings for key employees** and **boost retention efforts** with a single plan, while also benefiting from complimentary administration of the plan, including the restrictive agreement.
- The financial professional secured a case with **\$100,000 total premium** (3 IUL policies) and a **satisfied client** offering future additional planning opportunities.

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