



Life

North American Company
for Life and Health Insurance
Since 1886

Business Solutions

Funding an Executive Bonus Arrangement with Life Insurance

Agent Guide



BUSINESS SOLUTIONS

The success of any business depends on smart strategy and planning. Whether your clients own a large company or a small family-operated business, it's important to protect their hard work. North American Company offers business solutions to help ensure that all the effort and money invested in a business won't disappear when the unexpected happens.

EXECUTIVE BONUS LIFE INSURANCE

An executive bonus arrangement can be a powerful, yet simple way to provide a valuable benefit for company owners and key employees. The benefits acquired through a life insurance policy that builds cash value are a combination of death benefit coverage and the policy's accumulated cash surrender value. An executive bonus plan acts as a rewarding incentive for individuals who are vital to the success of your client's business.



WHY LIFE INSURANCE?

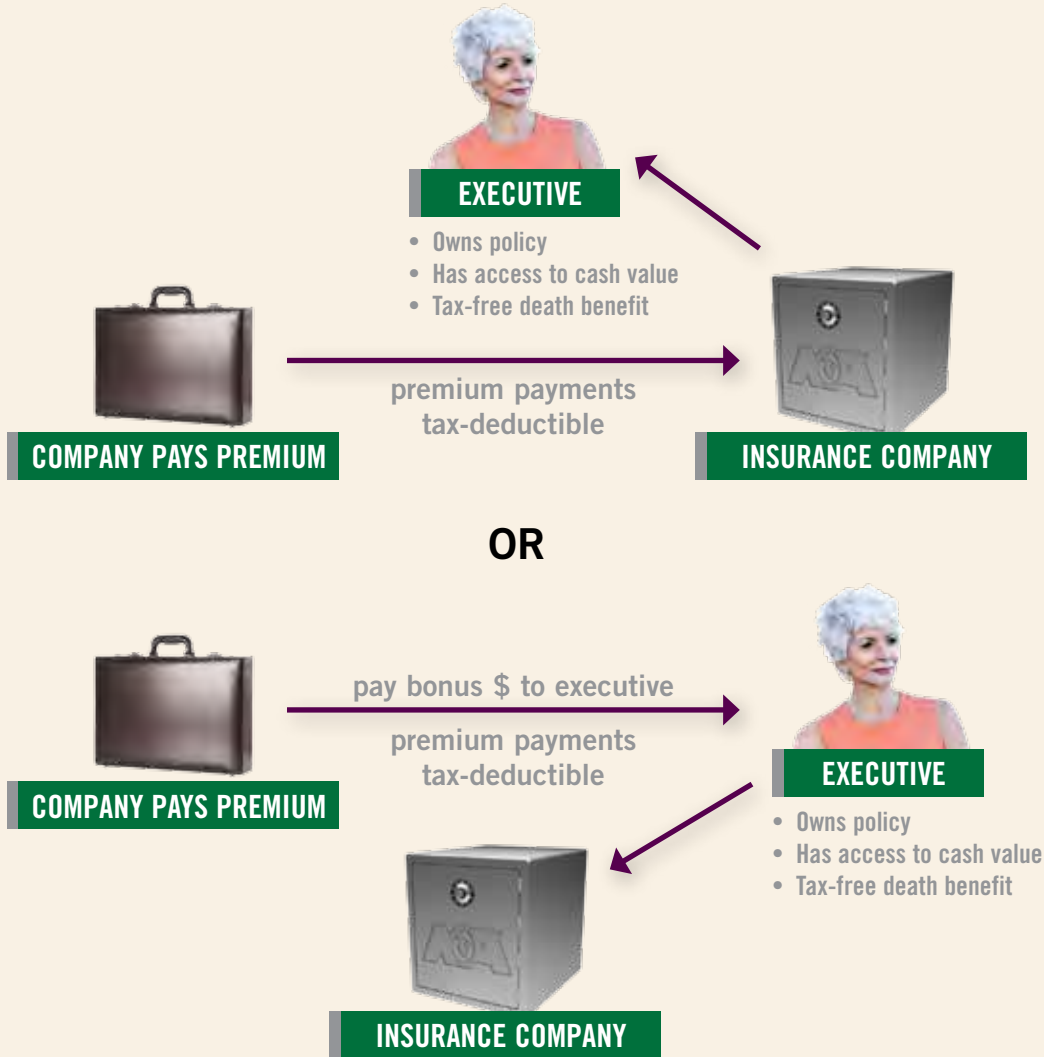
Executive bonus plans are a non-cash benefit that can improve employee morale and retention. Unlike most other benefits, an executive bonus arrangement does not have to be offered to all employees, so its exclusivity increases its value. In addition to other incentives offered by the company, an executive bonus plan allows the business to shift funds out of the corporation in an efficient, tax-deductible manner, while the insured gains the added benefit of life insurance coverage and the potential for an additional income stream at retirement.¹

WHO CAN BENEFIT?

Executive bonus plans are a desirable way for business owners to reward key employees by offering a combination of life insurance and the potential cash surrender value of the policy. This benefits your client's business by providing a way to retain valuable employees, thereby protecting against the loss of key accounts, vendor confidence, and diminished earnings. These plans can also help to improve employee morale. For the key employee, an executive bonus arrangement offers valuable life insurance for little or no out-of-pocket cost. And, because the employee is the owner of the policy, how it's used is up to the individual—whether that's the death benefit protection for the employee's heirs, or to help supplement retirement income from the policy's cash value.²

HOW IT WORKS:

It's simple. You can help your client set up an executive bonus arrangement quickly and easily. The concept is straightforward—after the employee applies and if he or she is approved for a life insurance policy, the business can either pay a bonus to the employee, or pay the amount of the bonus as a premium directly to the life insurance company. The employee receiving the bonus pays income tax on the amount of the bonus, while the employer receives an income tax deduction.



Your clients work hard to be successful in business. Help them maintain a strong relationship with key employees. Recommend one of North American Company's products today.



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1 Neither North American Company nor its agents give tax advice. Please advise your customers to consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.

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Any tax advice included in this written or electronic communication, including any attachments, was not intended or written to be used, and it cannot be used by you or any taxpayer for the purpose of avoiding any penalties that may be imposed on you or any other person under the Internal Revenue Code or applicable state or local tax law provisions. Although any tax advice contained herein was written to support the promotion or marketing of the transaction(s) matter(s) addressed by the advice, it cannot be used by you or any taxpayer to, promote, market or recommend to another party any transaction or matter addressed herein. Taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

2 Income and growth on accumulated cash value is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.

We're Here For Life[®]

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NAM-1695 R2 4/14

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