

Controlled Executive Bonus

For: Tony Jamison



"The best way to predict the future
is to create it."

Abraham Lincoln

Presented By:

[Licensed user's name appears here]

Your Address

Your Address

Your City, State, and Zip

Phone: Your Phone Contact

Email: Your Email Address

Controlled Executive Bonus Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Tony Jamison

Preface

Employer: Town & Country Auto Group
S Corporation

Of all the strategies available for an employer to provide unique benefits for selected executives, a bonus used to pay the premium for an executive-owned cash value life insurance policy is highly rewarding yet very simple to implement and administer.

There are two categories of this benefit plan:

Plans with Unrestricted Access

This executive owns the policy and has no restriction on access to plan values.

Plans with Deferred Access

This plan includes an "endorsement of ownership rights" in which the executive agrees to make no loans or withdrawals on the policy without the employer's consent or until a specific date or event occurs -- such as retirement.

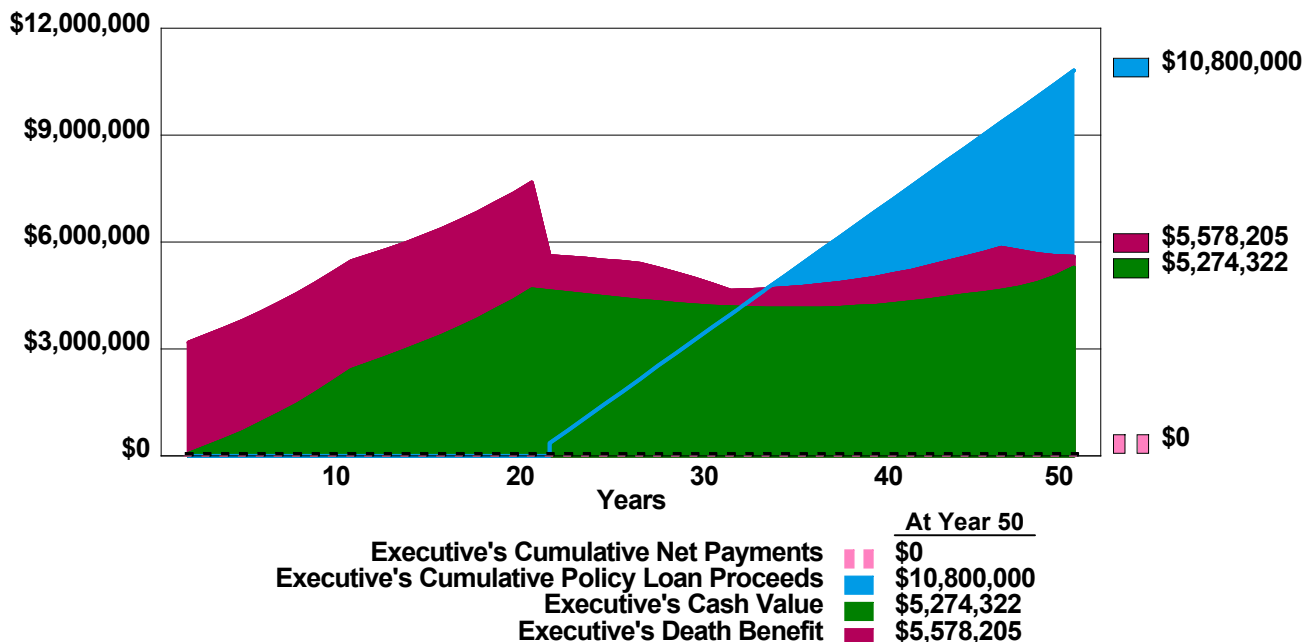
This variation also has a feature known as a "Controlled Bonus" in which the executive must repay the bonus should termination of employment occur prior to a certain date or event.

These plans have the following features:

1. Employer can pick and choose participants;
2. No regulatory approval required;

3. Employer can deduct its funding costs;
4. Executive has tax free access to cash values through policy loans (the Deferred Access variation limits this feature);
5. Income tax free death benefits for the executive's family;
6. Any size business can establish a plan;
7. Types of business entities:
C corporations and tax exempt organizations: The plan is suitable for any executive.
S corporations, LLCs, and Partnerships: The plan is suitable for any non-owner executive.
8. Advance of death benefits in certain adverse health circumstances - as defined in the policy.

This compensation plan has a considerable amount of financial leverage that is particularly evident in the accompanying presentation.



This graphic assumes the non-guaranteed values shown continue in all years. This is not likely, and actual results may be more or less favorable.

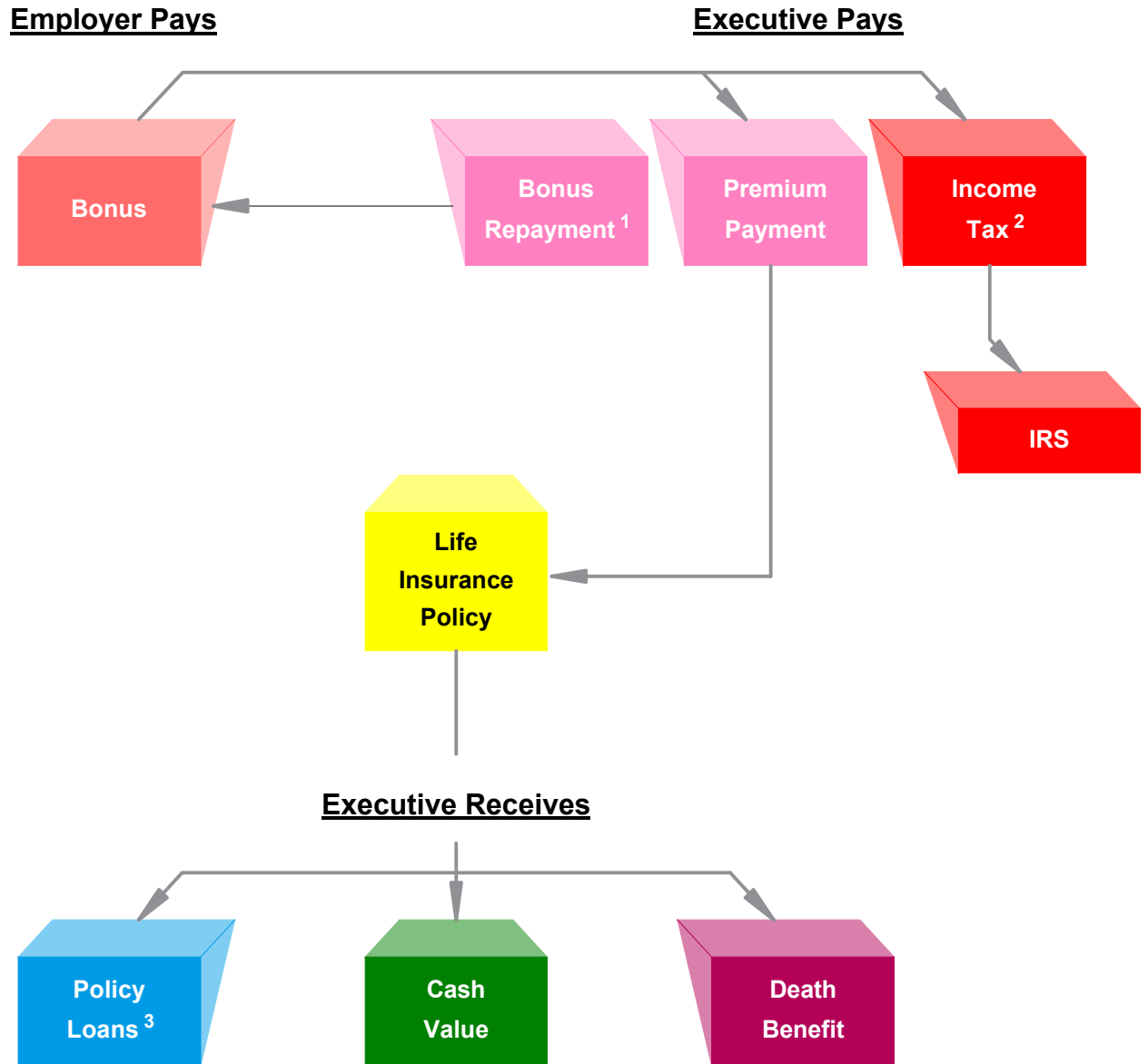
Controlled Executive Bonus Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Tony Jamison

Flow Chart

Employer: Town & Country Auto Group
S Corporation



¹ Bonus must be repaid if the executive does not remain employed for a specified period of time.

² Due on the bonus received.

³ For Retirement Income.

Controlled Executive Bonus Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Tony Jamison

Summary of Costs and Benefits

Employer: Town & Country Auto Group
S Corporation

Employer's Tax Bracket 50.30% Executive's Tax Bracket 50.30% Indexed UL Interest Rate 6.15% Initial Payment 200,000 Initial Death Benefit 3,000,000

Yr	Male Age	Employer's Costs		Executive's Costs				Executive's Values			
		(1) Bonus to the Executive	(2) Cost of the Bonus (Net Payment)	(3) Policy Premium	(4) Bonus from Employer	(5) Income Tax on Column (4)	(6) Executive's Net Payment	(7) Retirement Income Net Loan Proceeds	(8) Year End Accum Value*	(9) Year End Cash Value*	(10) Death Benefit
1	45	402,414	200,000	200,000	402,414	202,414	0	0	177,005	49,985	3,177,005
2	46	402,414	200,000	200,000	402,414	202,414	0	0	366,540	242,670	3,366,540
3	47	402,414	200,000	200,000	402,414	202,414	0	0	569,493	448,773	3,569,493
4	48	402,414	200,000	200,000	402,414	202,414	0	0	786,813	669,273	3,786,813
5	49	402,414	200,000	200,000	402,414	202,414	0	0	1,019,518	905,128	4,019,518
6	50	402,414	200,000	200,000	402,414	202,414	0	0	1,268,696	1,157,486	4,268,696
7	51	402,414	200,000	200,000	402,414	202,414	0	0	1,535,514	1,427,454	4,535,514
8	52	402,414	200,000	200,000	402,414	202,414	0	0	1,821,220	1,731,190	4,821,220
9	53	402,414	200,000	200,000	402,414	202,414	0	0	2,127,152	2,055,122	5,127,152
10	54	402,414	200,000	200,000	402,414	202,414	0	0	2,463,308	2,409,278	5,463,308
11	55	0	0	0	0	0	0	0	2,617,669	2,581,669	5,617,669
12	56	0	0	0	0	0	0	0	2,782,958	2,764,958	5,782,958
13	57	0	0	0	0	0	0	0	2,959,947	2,959,947	5,959,947
14	58	0	0	0	0	0	0	0	3,149,466	3,149,466	6,149,466
15	59	0	0	0	0	0	0	0	3,351,943	3,351,943	6,351,943
16	60	0	0	0	0	0	0	0	3,581,216	3,581,216	6,581,216
17	61	0	0	0	0	0	0	0	3,825,820	3,825,820	6,825,820
18	62	0	0	0	0	0	0	0	4,086,660	4,086,660	7,086,660
19	63	0	0	0	0	0	0	0	4,364,579	4,364,579	7,364,579
20	64	0	0	0	0	0	0	0	4,660,645	4,660,645	7,660,645
21	65	0	0	0	0	0	0	360,000	4,983,499	4,605,499	5,602,198
22	66	0	0	0	0	0	0	360,000	5,325,971	4,551,071	5,563,006
23	67	0	0	0	0	0	0	360,000	5,689,267	4,497,622	5,521,690
24	68	0	0	0	0	0	0	360,000	6,074,637	4,445,410	5,478,098
25	69	0	0	0	0	0	0	360,000	6,483,223	4,394,534	5,431,850
30	74	0	0	0	0	0	0	360,000	8,940,693	4,186,250	4,812,099
35	79	0	0	0	0	0	0	360,000	12,279,139	4,122,442	4,736,399
40	84	0	0	0	0	0	0	360,000	16,750,461	4,251,531	5,089,054
45	89	0	0	0	0	0	0	360,000	22,606,578	4,565,735	5,696,064
50	94	0	0	0	0	0	0	360,000	30,388,207	5,274,322	5,578,205
		4,024,140	2,000,000	2,000,000	4,024,140	2,024,140	0	10,800,000			

50 Year Summary

*This illustration assumes the illustrated non-guaranteed values continue in all years. This is not likely, and actual results may be more or less favorable. This illustration is not valid unless accompanied by a basic illustration from the issuing life insurance company.

Employer's Cumulative Net Payments	2,000,000
Executive's Cumulative Net Payments	0
Executive's Cum. A/T Retirement Income	10,800,000
Cash Value	5,274,322
Executive's Death Benefit	5,578,205

Controlled Executive Bonus Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Tony Jamison

Executive's Repayment Obligations

Employer: Town & Country Auto Group S Corporation

		Male Age 45	Indexed UL Interest Rate 6.15%	Initial Death Benefit 3,000,000				
Year	Male Age	(1) Bonus Paid to the Executive	(2) Cumulative Bonus Paid to the Executive	(3) % of Bonus Due if Executive Terminates	(4) Amount of Repayment Due by Executive	(5) Executive's Policy Cash Value*	(6) Executive's Net Gain/Loss** (5) - (4)	(7) Executive's Policy Death Benefit †
1	45	402,414	402,414	50.00%	201,207	49,985	-151,222	3,177,005
2	46	402,414	804,828	40.00%	321,931	242,670	-79,261	3,366,540
3	47	402,414	1,207,242	30.00%	362,173	448,773	86,600	3,569,493
4	48	402,414	1,609,656	20.00%	321,931	669,273	347,342	3,786,813
5	49	402,414	2,012,070	10.00%	201,207	905,128	703,921	4,019,518
6	50	402,414	2,414,484	0.00%	0	1,157,486	1,157,486	4,268,696
7	51	402,414	2,816,898	0.00%	0	1,427,454	1,427,454	4,535,514
8	52	402,414	3,219,312	0.00%	0	1,731,190	1,731,190	4,821,220
9	53	402,414	3,621,726	0.00%	0	2,055,122	2,055,122	5,127,152
10	54	402,414	4,024,140	0.00%	0	2,409,278	2,409,278	5,463,308
11	55	0	4,024,140	0.00%	0	2,581,669	2,581,669	5,617,669
12	56	0	4,024,140	0.00%	0	2,764,958	2,764,958	5,782,958
13	57	0	4,024,140	0.00%	0	2,959,947	2,959,947	5,959,947
14	58	0	4,024,140	0.00%	0	3,149,466	3,149,466	6,149,466
15	59	0	4,024,140	0.00%	0	3,351,943	3,351,943	6,351,943
16	60	0	4,024,140	0.00%	0	3,581,216	3,581,216	6,581,216
17	61	0	4,024,140	0.00%	0	3,825,820	3,825,820	6,825,820
18	62	0	4,024,140	0.00%	0	4,086,660	4,086,660	7,086,660
19	63	0	4,024,140	0.00%	0	4,364,579	4,364,579	7,364,579
20	64	0	4,024,140	0.00%	0	4,660,645	4,660,645	7,660,645
21	65	0	4,024,140	0.00%	0	4,605,499	4,605,499	5,602,198
22	66	0	4,024,140	0.00%	0	4,551,071	4,551,071	5,563,006
23	67	0	4,024,140	0.00%	0	4,497,622	4,497,622	5,521,690
24	68	0	4,024,140	0.00%	0	4,445,410	4,445,410	5,478,098
25	69	0	4,024,140	0.00%	0	4,394,534	4,394,534	5,431,850
30	74	0	4,024,140	0.00%	0	4,186,250	4,186,250	4,812,099
35	79	0	4,024,140	0.00%	0	4,122,442	4,122,442	4,736,399
40	84	0	4,024,140	0.00%	0	4,251,531	4,251,531	5,089,054
45	89	0	4,024,140	0.00%	0	4,565,735	4,565,735	5,696,064
50	94	0	4,024,140	0.00%	0	5,274,322	5,274,322	5,578,205
			4,024,140					

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**Negatives in Column (6) are in excess of the policy cash value.

† Assumes the executive's death waives the repayment obligation.

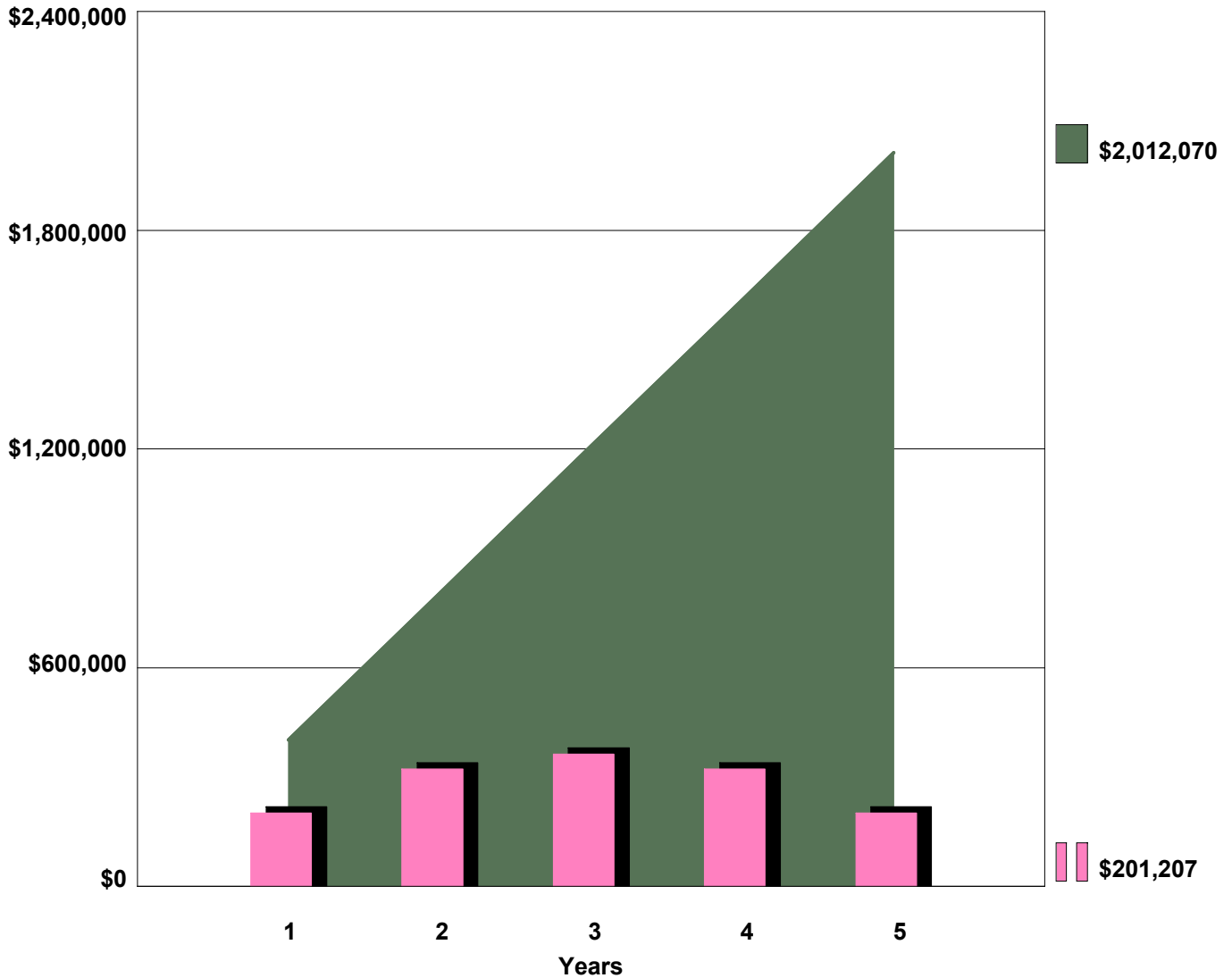
Controlled Executive Bonus Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Insured: Tony Jamison

Executive's Repayment Obligations 5 Year Analysis

Employer: Town & Country Auto Group
S Corporation



At Year 5

Executive's Repayment Obligations   \$201,207

Executive's Cumulative Bonuses  \$2,012,070

Controlled Executive Bonus Using Indexed Universal Life

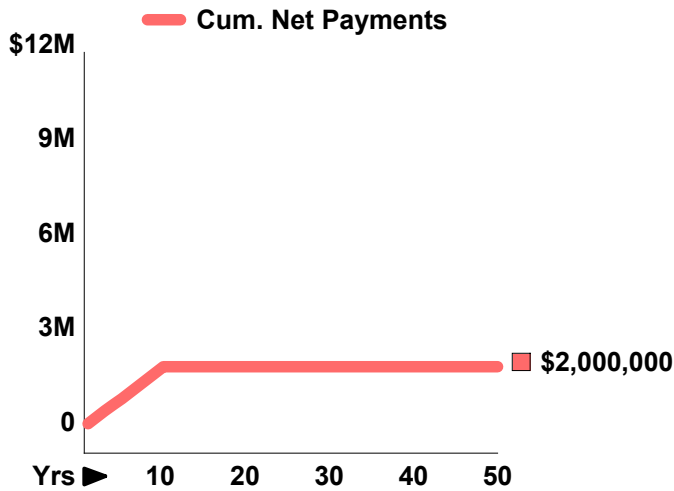
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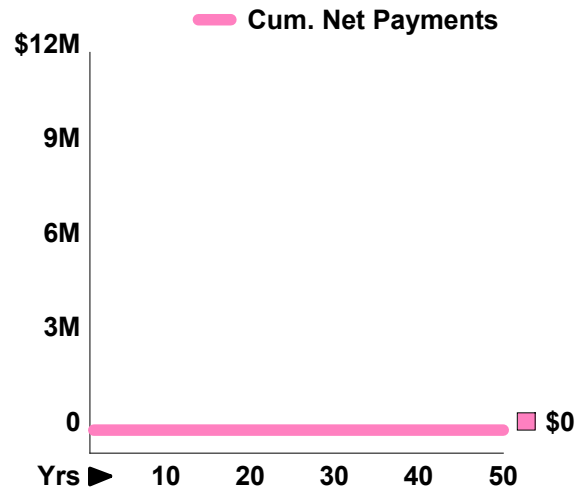
50 Year Analysis

Employer: Town & Country Auto Group
S Corporation

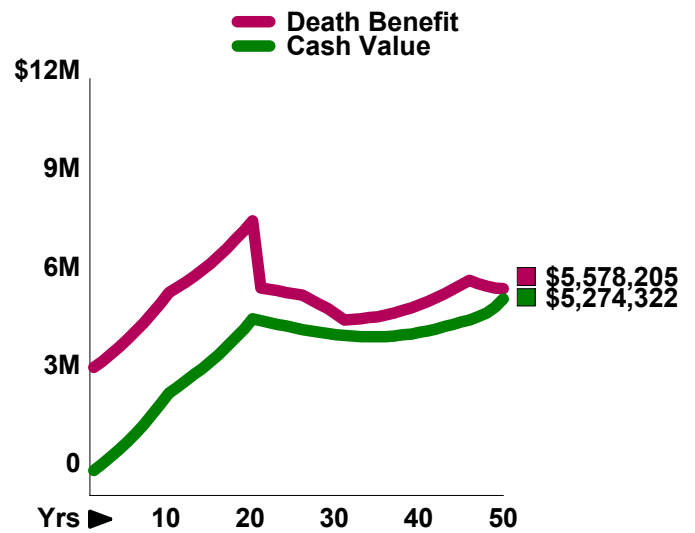
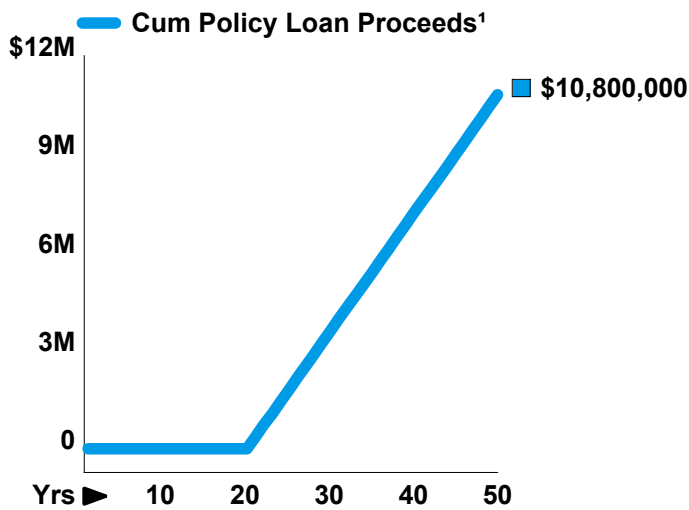
Employer's Costs



Executive's Costs



Executive's Values



¹ For Retirement Income.

Repayment of the Bonus

Employer: Town & Country Auto Group
S Corporation

Background

A Controlled Executive Bonus Plan is a fringe benefit in which an executive is paid a recurring taxable bonus which is used to purchase a life insurance policy with an emphasis on maximizing cash value accumulation. Subject to the terms of a separate Employment Agreement, the executive is required to repay the bonus under certain circumstances such as voluntary termination of employment by the executive prior to a certain date or event described in the Agreement or termination by the employer for cause.

Question

Can the executive deduct the repayment if it occurs?

Comments

The executive may be able to deduct the repayment under IRC Sec. 1341 (computation of tax where taxpayer restores an amount held under a claim of right). If the executive's bonus repayment is not deductible, and a policy loan is used to provide all or part of the funds for the bonus repayment, there is meaningful tax leverage available as tax free cash flow will have been accessed from the policy's tax deferred assets as the source of funds for repayment.

The employer must recognize any amount repaid as income under IRC Sec. 61.

Important Note: This information is for educational purposes only. In all cases, the approval of a client's legal and tax advisers must be secured regarding the implementation or modification of any planning technique as well as the applicability and consequences of new cases, rulings, or legislation upon existing or impending plans.