



Executive disability income concepts

Section 162 Bonus Program

Executive Bonus Program

An executive bonus plan is a smart and easy way for you to reward and retain your top performers. In this program, a business pays a premium bonus to the employee, which is tax deductible to the business and taxable income to the employee.

Key considerations	To reward key employees
What the Program does	<ul style="list-style-type: none">• Fills gaps and limitations for higher income earners that may exist with Group Long Term Disability (LTD) plans• Provides the business with a tax-deductible expense for bonus paid
Why the Program is needed	<p>Allows business owners to attract and retain key employees by offering individual disability coverage at no cost to the employee. Even if the firm has a Group LTD plan, key employees may not have adequate disability income protection if they:</p> <ul style="list-style-type: none">• Are paid incentive compensation or commissions• Receive compensation that exceeds the Group LTD plan cap• Make retirement plan contributions
Which types of businesses can implement	Any business including LLCs, sole proprietorships, partnerships, C corps and S corps
Who can participate	Clearly defined class of the employer's choosing
Coverage paid for by	The business
Tax treatment of premiums	<ul style="list-style-type: none">• Bonus paid by the employer may be tax-deductible as regular compensation (IRC Section 61(a))• Bonus is included in the employee's taxable income (IRC Section 61(a))
Tax treatment of benefits received	<ul style="list-style-type: none">• Benefits to employee are tax-free (IRC Section 104(a)(3))• Should a claim arise, there is no tax or other liability to employers at time of claim
Benefits for the business or practice	<ul style="list-style-type: none">• Business can reward select employees with valuable coverage to reward loyalty and improve retention• Bonus paid by the business or practice to the employee may be tax deductible• Program is easy to set up

Key considerations	To reward key employees
Benefits for the employee	<ul style="list-style-type: none"> • Opportunity to have a greater portion of their income covered by the employer with industry-leading IDI protection • Disability benefits received would be tax-free • Employee can receive both the insurance premium plus the employee's tax due on the bonus from the employer
Other program information	<ul style="list-style-type: none"> • 5 or more white collar executives earning \$75,000+ per year • Traditional Group LTD coverage must be in-force or applied for • Guarantee issue disability income policies with portability and fixed rates
Next steps	<ul style="list-style-type: none"> • Provide up-to-date company census data • Provide a copy of current Group LTD plan

For more information on offering this important executive bonus plan to key employees, contact your insurance representative today.

The Guardian Life Insurance Company of America

guardianlife.com

New York, NY

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