



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

Individual disability insurance Policy Form 18GI underwritten and issued by Berkshire Life Insurance Company of America, (BLICOA) Pittsfield, MA, a wholly owned stock subsidiary of The Guardian Life Insurance Company of America (Guardian), New York, NY. For Policy Form 18GI, the expected benefit ratio is 60% (NY). Product provisions and availability may vary by state. In New York: This policy provides disability insurance only. It does not provide basic hospital, basic medical or major medical insurance as defined by the New York State Insurance Department. The expected benefit ratio is 60%. This ratio is the portion of future premiums that the company expects to return as benefits, when averaged over all people with this policy form.

This flyer is provided for informational purposes only and should not be considered tax or legal advice. Please contact your tax or legal advisor regarding the tax treatment of the policy and policy benefits. You should consult with your own independent tax and legal advisors regarding your particular set of facts and circumstances. The information provided is not intended or written to be used, and cannot be relied upon, to avoid penalties imposed under the Internal Revenue Code or state and local tax law provisions.

Guardian® is a registered trademark of The Guardian Life Insurance Company of America.