



BUSINESS PLANNING STRATEGIES

STAY BONUS STRATEGY

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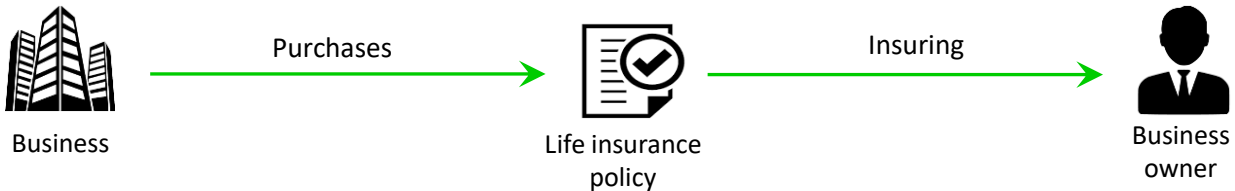
Leaving the family business to the next generation while retaining key personnel to ensure continuity.

KEEPING KEY EMPLOYEES ENGAGED THROUGH AN OWNERSHIP TRANSITION

Small business owners often plan on leaving the family business to the next generation but are concerned that the business will struggle to survive when they die. The Stay Bonus Strategy is designed specifically to help ensure that key employees remain engaged and incentivized through an ownership transition.

STAY BONUS STRATEGY: HOW IT WORKS

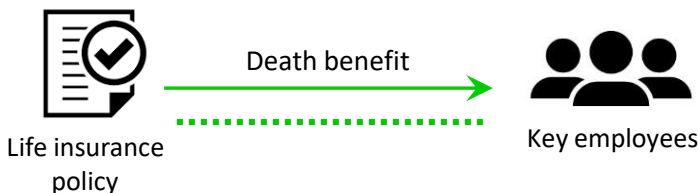
- 1 The business purchases a life insurance policy on the business owner’s life. The purpose of the policy is to provide liquidity to potentially pay bonuses to select key employees after death of the owner.



- 2 If the business owner dies, a bonus agreement is drafted and executed to retain the key employees by providing a financial incentive to stay with the business.



- 3 The life insurance policy’s death benefit proceeds provide the funds needed for the stay bonus.



THINGS TO CONSIDER

Since no ownership is transferred, your family will continue to own the business

Stay bonus must be drafted after your death

Employees will pay income taxes on the stay bonus, and the business will receive a deduction

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WHY PERMANENT LIFE INSURANCE?

- Permanent, cash value life insurance policies provide permanent death benefit protection upon death of a business owner.
- These policies can grow in value over time and provide a source of funding for other business owner life stages (downturn, disability an departure).
- The owner of the policy can be the business owner, the business or an irrevocable life insurance trust (ILIT).

| OWNER | WHY? | CONSIDERATIONS |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| Business owner | Business owner can have access to the policy | Will be included in the business owner’s estate |
| Business | Business will pay the premiums of the policy | Cash value and death benefit are paid to the business, and there may tax issues taking policy proceeds out of the business |
| ILIT or spousal limited access trust | Keeps the policy out of the business owner’s estate and outside the reach of the business’s creditors | No access to the policy for the business owner |

BENEFITS FROM A STAY BONUS

- Permanent, cash value life insurance policies provide permanent death benefit protection upon death of a business owner.
- These policies can grow in value over time and provide a source of funding for other business owner life stages (downturn, disability an departure).
- The owner of the policy can be the business owner, the business or an irrevocable life insurance trust (ILIT).

| OWNER | OTHER OBJECTIVES |
|-----------------------|------------------------------------------------------------|
| Business owner | Supplemental income, income replacement, legacy strategies |
| Business | Key person, entity redemption buy-sell |
| ILIT | Estate tax planning, legacy strategies |

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