



Business Solutions

Funding an Executive Bonus Arrangement
with Life Insurance
Consumer Brochure



North American Company
for Life and Health Insurance
Since 1886

| *Life*



The success of any business depends on smart strategy and planning. Whether you own a large company or a small family-operated business, it's important to protect your 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.

HIGHLIGHTS	EXECUTIVE BONUS LIFE INSURANCE
Who can benefit?	Employer and key employees.
Why life insurance?	Life insurance provides a rewarding incentive for key employees.
How does it work?	Life insurance premium payments are used as an executive bonus.

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 business.

WHO CAN BENEFIT?

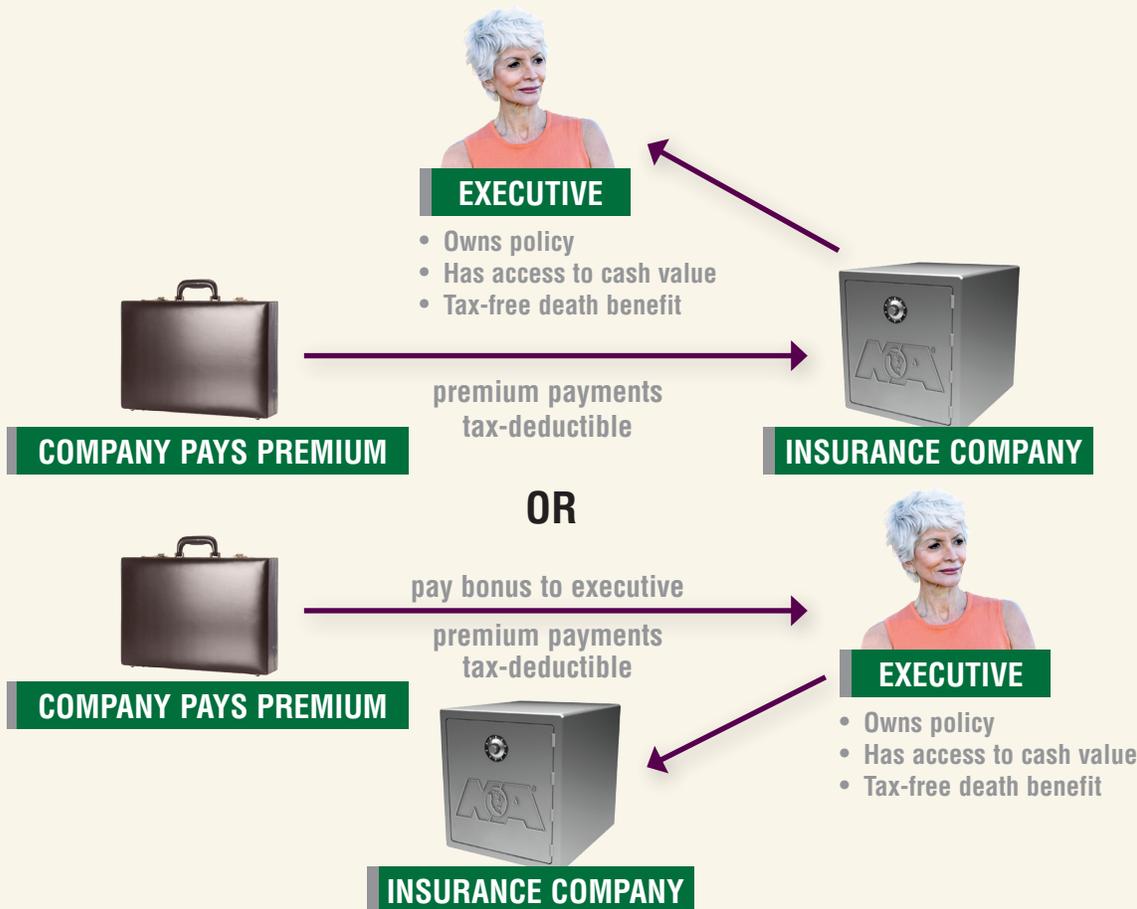
Executive bonus plans are a desirable way for business owners to reward key employees by offering a combination of life insurance and the potential cash surrender value of the policy. This benefits your business by providing a way to retain valuable employees, thereby protecting against the loss of key 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 leaving the full death benefit to the employee's heirs, or using the potential cash value to help supplement the employee's retirement income.¹

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 employee gains the added benefit of life insurance coverage and the potential for an additional income stream at retirement.

HOW IT WORKS:

It's simple. Once the employee applies for a life insurance policy and is approved, your North American agent can help you set up an executive bonus arrangement quickly and easily. The concept is straightforward—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.



The immediate benefit to the employee is the death benefit protection, which can provide comfort for the employee and his or her family. Any accumulated cash value of the insurance policy can be used while the employee is living. If, for example, the employee becomes disabled, is terminated, or leaves the company, the owner of the policy (the employee) could use the cash value to help with the financial impact of the situation.

You work hard to be successful. Help maintain a strong business by taking advantage of an executive bonus plan. Contact your North American representative today to learn more about this essential business solution.



Life

North American Company for Life and Health Insurance has been providing quality life insurance products since 1886. As one of the leading life insurance companies in the U.S., we'll make it as easy as possible for you to become one of our insureds. Please visit our Website at www.NorthAmericanCompany.com to find out more about our company.

¹ 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.

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

Policy loans from life insurance policies generally are not subject to income tax, provided the contract is not a Modified Endowment Contract (MEC), as defined by Section 7702A of the Internal Revenue Code. A policy loan or withdrawal from a life insurance policy that is a MEC is taxable upon receipt to the extent cash value of the contract exceeds premium paid. Distributions from MECs are subject to federal income tax to the extent of the gain in the policy and taxable distributions are subject to a 10% additional tax prior to age 59½, with certain exceptions. Policy loans and withdrawals will reduce cash value and death benefit. Policy loans are subject to interest charges. Consult with and rely on your tax advisor or attorney on your specific situation.

We're Here For Life®

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