

BUSINESS PLANNING

Restricted Executive Bonus Arrangement (REBA)

CONCEPT APPLIED:

A restricted executive bonus arrangement (REBA) is an attractive benefit that combines a tax-deductible bonus with a restrictive endorsement on a personal life insurance policy. It is straightforward, simple to implement, and easy to administer.

HOW IT WORKS:

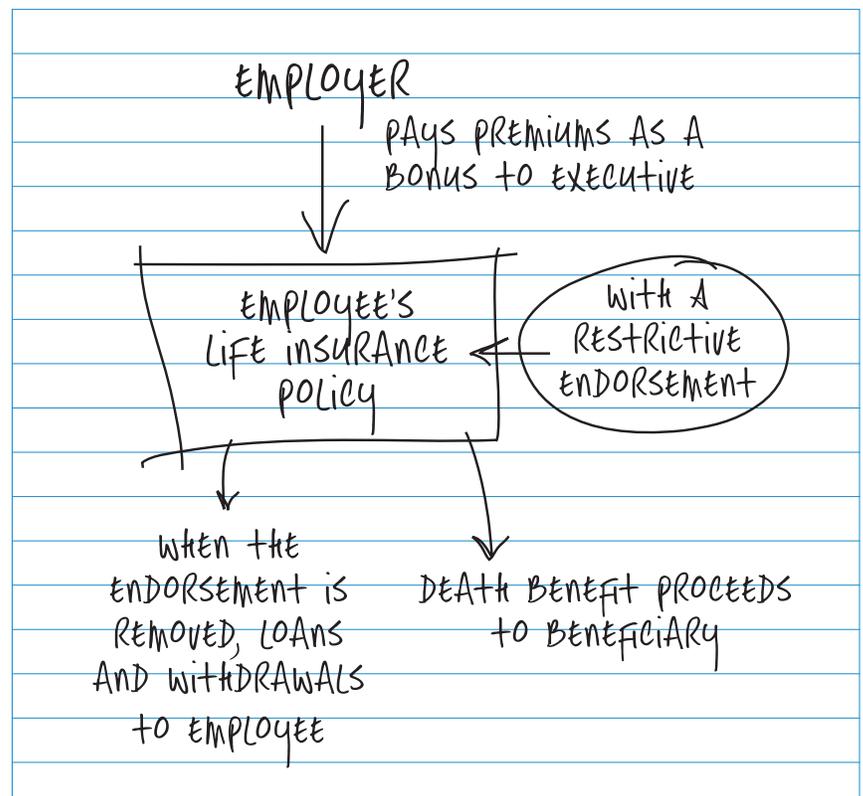
- Business owners choose the executive they wish to reward.
- The executive applies for and owns a personal life insurance policy with a separately administered restrictive endorsement that limits access to cash values until the restriction period ends.
- The employer agrees to pay premiums as a bonus during the executive's continued employment.
- The employer uses fully deductible bonus payments to pay premiums.

WHY IS IT USEFUL?

A REBA can help business owners recruit and retain key employees using a tax-deductible bonus arrangement. The executive benefits from needed personal life insurance, tax-deferred growth of policy values, and at the end of the specified employment period, cash values can be accessed using loans and withdrawals that are generally tax free.

50 WORDS OR LESS

An employer uses a REBA to provide personal life insurance protection. The employer agrees to pay premiums and the executive agrees to continue employment for a specified period, during which access to the policy is restricted.



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