



National Life
Group®

Experience Life®

EXECUTIVE BENEFIT PLAN OPTIONS

Are you considering an executive bonus plan for you or your key employees?

Think About These 4½ Choices

You may use your business dollars to reward yourself and your key employees with a bonus plan that uses the power of a permanent life insurance policy. The benefits include:

1. Income tax-free death benefit¹
2. Potential for tax deferred cash value growth
3. Potential for retirement income through tax free loans and withdrawals²
4. Accelerated benefits in the event of a qualifying terminal, chronic, critical illness or critical injury³
5. Deductible as compensation expense by the business
6. Minimal personal out of pocket cost
7. Selective participation
8. Simple, no IRS filings and no set up costs⁴

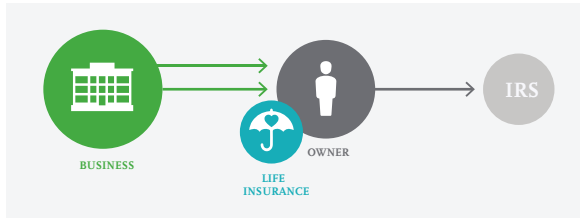
There are many variations on the bonus plan possible – here are 4½ options.

National Life Group® is a trade name of National Life Insurance Company, Montpelier, VT, Life Insurance Company of the Southwest (LSW), Addison, TX and their affiliates. Each company of National Life Group is solely responsible for its own financial condition and contractual obligations. LSW is not an authorized insurer in New York and does not conduct insurance business in New York.

Centralized Mailing Address: One National Life Drive, Montpelier, VT 05604 | 800-732-8939 | www.NationalLife.com

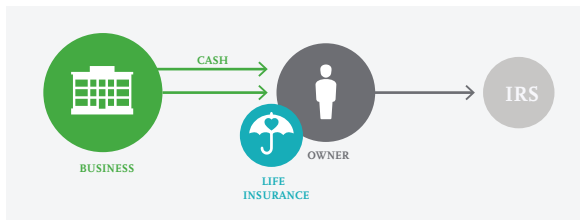
Single Bonus

The business pays the tax deductible premium on the life insurance policy which is owned by the owner/executive. The owner/executive pays the tax on the bonus, out of pocket, to the IRS.



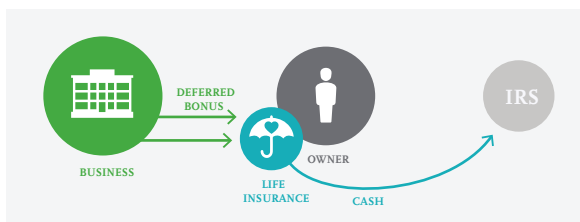
Double Bonus

The business pays the tax deductible premium on the life insurance policy which is owned by the owner/executive. The business pays a second cash bonus to the owner/executive who will use those funds to pay the taxes due. The Double Bonus requires no out of pocket cost for the executive.



Key Advantage Single Bonus

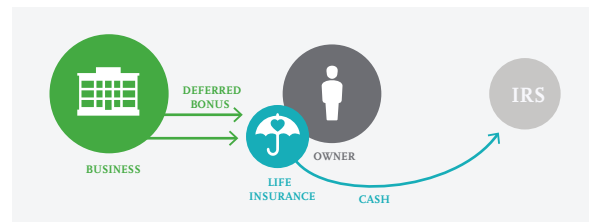
The business pays the tax deductible premium on the life insurance policy which is owned by the owner/executive. The owner/executive may take a tax free withdrawal or loan from the policy equal to the tax due on the policy and will use those funds to pay the tax due on the bonus.²



Key Advantage Bonus Plan with a Deferred Bonus Plan

This program is very similar to the Key Advantage Single Bonus arrangement. The difference is at retirement or at another time period agreed upon by the parties, the business will make a deferred bonus payment to the owner/ executive. These funds may be used to repay some or all of the policy loans that have been taken by the executive in prior years. The repayment of the policy loan may allow the executive to have benefits that will be larger than a similar key advantage bonus plan.

Please note, the deferred bonus arrangement must be established in writing and is subject to certain ERISA requirements as well as requirements under IRC Section 409A.



And the ½ — Restrictive Endorsement on Permanent Life Insurance

A restrictive endorsement is an addition to any of the 4 arrangements, usually when the program is for a non-owner key person. It limits the executive's access to cash value. It is sometimes used to make the arrangement a stronger golden handcuff. The restrictive endorsement may be added to any of the bonus programs.

By answering a few key questions we can determine what you want to achieve and which plan would work the best for you and your business. Results may vary depending on how your business is organized (such as C Corporation vs. S Corporation).

1. Internal Revenue Code Section 101(a)(1). There are some exceptions to this rule. Please consult a qualified tax professional for advice concerning your individual situation.

2. Policy loans and withdrawals reduce the policy's cash value and death benefit and may result in a taxable event. Surrender charges may reduce the policy's cash value in early years.

3. Payment of Accelerated Benefits will reduce the Cash Value and Death Benefit otherwise payable under the policy. Receipt of Accelerated Benefits may be a taxable event and may affect your eligibility for public assistance programs. Please consult your personal tax advisor to determine the tax status of any benefits paid under this rider and with social service agencies concerning how receipt of such a payment will affect you. Riders are supplemental benefits that can be added to a life insurance policy and are not suitable unless you also have a need for life insurance. Riders are optional, may require additional premium and may not be available in all states or on all products. This is not a solicitation of any specific insurance policy.

4. If a deferred bonus plan is used, additional requirements and costs will apply.