



EXECUTIVE BENEFIT STRATEGY

Companies are often looking for new ways to attract and retain key executives. The right executive benefit plan can help accomplish the goals of both employer and employee. The following chart examines the key differences of various executive benefit plans.

	Executive Bonus Plan	Restricted Executive Bonus Arrangement	Nonqualified Deferred Compensation Plan	401(k) Look-Alike Plan (Nonqualified)	Section 457 Plan ¹ (Salary Deferral Benefit)
Strategic Goal	Provides a way for employers to help highly compensated executives fund life insurance in a cost-effective manner and provide them with another option to help meet financial goals such as paying for college or supplementing retirement savings.	Provides a way for employers to reward their key employees by helping highly compensated executives fund life insurance in a cost-effective manner and provide them with another option to help meet financial goals such as paying for college or supplementing retirement savings, while restricting owner's access to policy.	Provides a way for employers to reward their key employees by helping highly compensated executives find a nonqualified way to defer pre-tax income as well as help provide supplemental income for disability or retirement.	Gives highly compensated executives who may be "maxed out" on qualified plans a way to defer taxable income in a nonqualified plan to help provide supplemental income for disability or retirement.	Helps ensure the loyalty of highly compensated executives by allowing not-for-profit organizations to set up nonqualified deferred compensation plans—Sec. 457(f)—for deferrals in excess of Sec. 457 limits.
Product²	TransIndex SM UL TransAccumulator [®] VUL	TransIndex SM UL TransAccumulator [®] VUL	TransIndex SM UL TransAccumulator [®] VUL TransMillenium [®]	TransIndex SM UL TransAccumulator [®] VUL TransMillenium [®]	TransIndex SM UL TransAccumulator [®] VUL TransMillenium [®]
Does the Plan Offer Income Deferral?	No. However, it does offer income tax deferral on inside build-up in life policy.	No. However, it does offer income tax deferral on inside build-up in life policy.	Yes. Executive defers a percentage of taxable salary or bonus.	Yes. Executive defers a percentage of taxable salary and/or bonus for a period of years until retirement, etc. Employer may also make matching contributions.	Yes. Executive defers a percentage of taxable salary and/or bonus until death, retirement, etc., as long as the amount of the deferred compensation is subject to a substantial risk of forfeiture. Employer may also make matching contributions.
Who Owns the Policy and Determines Beneficiaries?	Executive, who can name spouse or other beneficiaries.	Executive, who can name spouse or other beneficiaries. The employer can restrict access to the policy's cash value as well as the ability to transfer the policy without employer consent until a set date (usually retirement) or death of the insured executive.	Employer, which names itself beneficiary.	Employer, which names itself beneficiary.	Employer, which names itself beneficiary.

	Executive Bonus Plan	Restricted Executive Bonus Arrangement	Nonqualified Deferred Compensation Plan	401(k) Look-Alike Plan (Nonqualified)	Section 457 Plan¹ (Salary Deferral Benefit)
How Are Premiums Paid?	By the executive, who receives an equivalent bonus from the employer (can be a “double bonus” to offset additional tax liability).	By the executive, who receives an equivalent bonus from the employer (can be a “double bonus” to offset additional tax liability).	Employer uses deferred compensation to pay policy premiums.	Employer uses deferred compensation and any matching funds to pay policy premiums.	Deferred compensation is used to pay policy premiums.
How Is the Death Benefit Distributed?	Named beneficiaries receive an income tax-free life insurance death benefit.	Named beneficiaries receive an income tax-free life insurance death benefit.	Beneficiaries specified in deferred compensation agreement receive either taxable annual income or taxable lump-sum death benefit, depending on plan design.	Beneficiaries specified in deferred compensation agreement receive either taxable annual income or taxable lump-sum death benefit, depending on plan design.	Beneficiaries specified in deferred compensation agreement receive either taxable annual income or taxable lump-sum death benefit, depending on plan design.
Benefits to Employer	<ul style="list-style-type: none"> ▪ Distinguishes its compensation package. ▪ Provides select executives with attractive pre- and post-retirement benefits. ▪ Income tax deduction generally allowed for executive bonus payments. ▪ Minimal plan setup costs. ▪ Flexibility to include executives or a group of key employees because it is not subject to the nondiscrimination requirements that apply to a qualified plan. 	<ul style="list-style-type: none"> ▪ Distinguishes its compensation package. ▪ Provides select executives with attractive pre- and post-retirement benefits. ▪ Income tax deduction generally allowed for executive bonus payments. ▪ Minimal plan setup costs. ▪ Flexibility to include executives or a group of key employees because it is not subject to the nondiscrimination requirements that apply to a qualified plan. 	<ul style="list-style-type: none"> ▪ Provides income tax-free death benefit and accumulates tax deferred cash value for the employer. (Premium payments are not tax-deductible.)³ ▪ Through withdrawals or policy loans, employer can use accumulated net cash value to <u>pay</u> the deferred compensation (this will reduce the policy’s values and death benefit). ▪ Minimal ERISA requirements (provided only a select group of management or highly compensated employees are covered). ▪ Provides select executives with additional deferral opportunities different from those available to other employees. ▪ Helps recruit, retain, and reward talented staff. ▪ Income tax deduction for benefits payment.⁴ 	<ul style="list-style-type: none"> ▪ Provides income tax-free death benefit and accumulates tax deferred cash value for the employer. (Premium payments are not tax-deductible.)³ ▪ Through withdrawals or policy loans, employer can use accumulated net cash value to <u>fund</u> the deferred compensation plan distributions (this will reduce the policy’s values and death benefit). ▪ Minimal ERISA requirements. ▪ Provides select executives with additional deferral opportunities different from those available to other employees. ▪ Helps recruit, retain, and reward talented staff. ▪ Income tax deduction for benefits payment.⁴ 	<ul style="list-style-type: none"> ▪ Encourages long-term executive loyalty. ▪ Provides select executives with attractive benefits.

	Executive Bonus Plan	Restricted Executive Bonus Arrangement	Nonqualified Deferred Compensation Plan	401(k) Look-Alike Plan (Nonqualified)	Section 457 Plan ¹ (Salary Deferral Benefit)
Benefits to Executive	<ul style="list-style-type: none"> ▪ Accumulates tax-deferred life insurance policy cash value. ▪ Provides income tax-free death benefit protection for beneficiaries. ▪ Through partial withdrawals and policy loans, creates an additional source of income to help meet financial goals.⁵ ▪ Is not subject to qualified plan limits and penalties. ▪ Executive retains policy when leaving employment. 	<ul style="list-style-type: none"> ▪ Accumulates tax-deferred life insurance policy cash value. ▪ Provides income tax-free death benefit protection for beneficiaries. ▪ Through partial withdrawals and policy loans, creates an additional source of income to help meet financial goals.⁵ ▪ Is not subject to qualified plan limits and penalties. ▪ Executive retains policy when leaving employment. 	<ul style="list-style-type: none"> ▪ Has additional deferral opportunities not subject to qualified plan limits and penalties. ▪ Can help supplement retirement income not available through 401(k) or profit-sharing plans. ▪ When executive retires, becomes disabled, or dies, or at another specified date, employer can begin distribution of the deferred compensation. ▪ Since the benefits are an unsecured promise by the employer to pay and are at risk if employer fails, not taxed until income is distributed. ▪ Can help with financial planning objectives such as college funding. ▪ Can provide a pre-retirement survivor benefit. ▪ Ability to access funds in the event of severe financial hardship. 	<ul style="list-style-type: none"> ▪ Has additional deferral opportunities not subject to qualified plan limits and penalties. ▪ Can help supplement retirement income not available through 401(k) or profit-sharing plans due to government limits. ▪ When executive retires, becomes disabled, or dies, or at another specified date, employer can begin distribution of the deferred compensation. ▪ May receive additional retirement income through employer matching. ▪ Since the benefits are an unsecured promise by the employer to pay and are at risk if employer fails, not taxed until income is distributed. ▪ Can help with financial planning objectives such as college funding. ▪ Can provide a pre-retirement survivor benefit. ▪ Ability to access funds in the event of severe financial hardship. 	<ul style="list-style-type: none"> ▪ Policy or its cash value can be transferred to the executive upon retirement (executive will pay income tax on the value of this benefit paid by the employer). ▪ Enjoys tax-deferred supplemental retirement savings. ▪ Executive receives taxable death benefit protection for his/her family if he/she dies while working for the organization.

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Prospects	<ul style="list-style-type: none"> ▪ Small to midsized businesses. ▪ Employers who want to recruit and retain key executives. ▪ Employers with executives who want a cost-effective way to provide financial security for their families. ▪ Companies that do not offer qualified retirement plans. ▪ Businesses that want to provide benefits to non-owner executives. 	<ul style="list-style-type: none"> ▪ Small to midsized businesses. ▪ Employers who want to recruit and retain key executives. ▪ Employers with executives who want a cost-effective way to provide financial security for their families. ▪ Companies that do not offer qualified retirement plans. ▪ Businesses that want to provide benefits to non-owner executives. 	<ul style="list-style-type: none"> ▪ Employers who want to recruit and retain key executives. ▪ Companies that want to offer benefits in excess of those offered by their qualified retirement plans. ▪ Employers with executives who want to supplement their income and provide financial security for their families. 	<ul style="list-style-type: none"> ▪ Employers who want to recruit and retain key executives. ▪ Companies that want to offer benefits in excess of those offered by their qualified retirement plans. ▪ Employers with executives who want to supplement their income and provide financial security for their families. 	<ul style="list-style-type: none"> ▪ Not-for-profit organizations that combine qualified and non-qualified retirement plans. ▪ Not-for-profit organizations that want to recruit and retain key executives. ▪ Not-for-profit employers with executives who want to supplement their retirement benefits.

¹ Employees participating in a Section 457(f) plan will typically forfeit benefits if voluntary or involuntary separation from the employer occurs before retirement.

² Life insurance products are issued by Transamerica Life Insurance Company, Cedar Rapids, IA 52499, or Transamerica Financial Life Insurance Company, Purchase, NY 10577. All products may not be available in all jurisdictions.

³ The death benefit above premiums paid will not be taxable under IRC Section 101(j) as long as written Notice and Consent is obtained prior to policy issue.

⁴ Must be considered reasonable compensation to qualify for tax deductions.

⁵ Loans, withdrawals, and other distributions will affect the policy's cash value and may affect the death benefit. If the policy is a modified endowment contract, loans and withdrawals may be subject to taxes and penalties.

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