

Executive Bonus Plan



Program Highlights & Fact Finder



 **TRANSAMERICA**
INSURANCE & INVESTMENT GROUP

Transamerica Occidental Life Insurance Company

A Rewarding Way to Meet Financial Goals

Providing for the family, putting the kids through college, and saving for retirement. Any one of these can be a challenge—even for highly compensated executives. Add them all together and it's a real financial balancing act. One way to help key executives meet their financial goals is the Executive Bonus Plan from Transamerica Occidental Life Insurance Company.

Executive Bonus Plan

Here's How It Works

Step 1: Purchasing the Life Insurance

- ❖ Depending on risk tolerance, time horizon, and financial goals, the executive purchases a life insurance policy from Transamerica Occidental Life Insurance Company.
- ❖ The executive is the policy owner and can name his or her spouse or family as beneficiaries.

Step 2: Bonus Incentive Income

- ❖ The life insurance policy premiums are paid as a bonus to the executive.
- ❖ Since the executive may incur a tax liability from the premium bonus, the company may also pay the executive additional cash to offset tax liability. This is known as a "double bonus."
- ❖ For the company, the bonus paid under the executive bonus plan is generally income tax deductible as compensation.

Step 3: Accessing the Benefits

- ❖ The executive can use the policy's accumulated net cash values to help meet other financial goals, such as paying for college or supplementing retirement benefits.*
- ❖ In the event of the executive's death, named beneficiaries will receive an income tax-free life insurance death benefit.

* Loans, withdrawals, and performance will lower the policy value and net cash value and will lower the death benefit. Withdrawals or distributions may have adverse tax consequences, so please consult your tax advisor.

What Are the Advantages?

With Transamerica's executive bonus plan, both employer and key executive benefit. Here's how:

The employer...

- ❖ Distinguishes its compensation package.
- ❖ Provides selected employees with attractive pre- and post-retirement benefits.
- ❖ Generally receives income tax deduction for executive bonus payments.

The executive...

- ❖ Accumulates tax-deferred life insurance policy cash value.
- ❖ Provides death benefit protection for named beneficiaries.
- ❖ Has an additional source of income to help meet financial goals.*

Who Can Benefit from the Executive Bonus Plan?

- ❖ Small to midsize businesses.
- ❖ Employers who want to recruit and retain key employees.
- ❖ Executives who want to provide financial security for their families in a cost-effective manner.
- ❖ Companies that don't offer qualified retirement plans.
- ❖ Companies that want to offer benefits in excess of those offered by their qualified retirement plans.

Mission Accomplished: Enhanced Executive Benefits

Transamerica Occidental Life's executive bonus plan is an essential part of an executive compensation package. Employers can recruit and retain key associates by offering top officers a truly valuable financial perk—death benefit protection and the tax-advantaged cash value of life insurance.

Individually Designed Proposal

By completing the attached fact finder, a Transamerica Occidental Life insurance professional can develop a customized executive bonus plan proposal showing an executive incentive bonus strategy.

Executive Bonus Plan Using Life Insurance

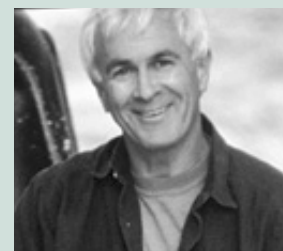


Employer

Step 1: Bonus Incentive Income

Executive receives a bonus which can be used to pay premiums.

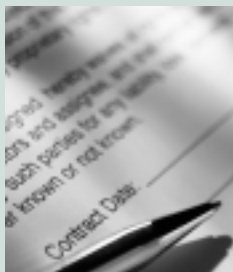
Bonus



Insured/Executive

Step 2: Purchasing the Life Insurance

Executive purchases life insurance policy in which he/she owns the policy and can name loved ones as beneficiaries.



Life Insurance Policy

Step 3: Accessing the Benefits

Executive can use policy's accumulated net cash values to help meet other financial goals such as paying for college or supplying extra retirement income.*

Step 4: Beneficiaries

In the event of executive's death, designated beneficiaries will receive a federal income tax-free life insurance death benefit.



Executive Bonus Plan Fact Finder

Employee

Name _____

Annual Compensation \$ _____ Federal Tax Bracket _____ State Tax Bracket _____

Company Ownership (if any) _____ %

Employer

Name _____

Address _____

Entity Type: C Corporation S Corporation Partnership LLC

Federal Tax Bracket _____ State Tax Bracket _____

Total Number of Employees _____

Illustration

Type of Insurance: Fixed Universal Life Variable Universal Life

Product to Illustrate _____

Policy Assumptions: Current _____ Guaranteed _____ Illustrated (VUL) _____

Insured's DOB _____ State of Policy Issue _____

Gender: Male Female

Smoker Nonsmoker

Assumed Risk Classification: Select Preferred Standard

Desired: Death benefit \$ _____ or minimum so as not to create a MEC _____

Death benefit option: Level Increasing with cash value Increasing switching to level

Plus premium _____

Annual insurance premium \$ _____

Years to pay premium _____ or to age _____

Maximize income from policy at insured's age _____ for _____ number of years

If premium is not known, indicate desired cash flow from policy beginning in year _____, and ending in year _____

Policy cash value at 100 equal to:

Endowment at initial face _____ or keep in force until age 100 _____ or cash value equal to \$ _____

Executive Bonus Plan Fact Finder (page 2)

Plan Design

Bonus Amount: Single _____ Double _____ Specified \$ _____

Pay Bonus Until: Retirement _____ Specified \$ _____

Producer Information

Producer Name _____

Broker/Dealer Affiliation (required for variable life proposal) _____

Phone No. _____

E-mail Address _____

Date _____



Transamerica Occidental Life Insurance Company

OLA 1022 0905 Executive Bonus Plan Fact Finder (insert)

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Transamerica clients and prospective clients can learn more about products and services at www.transamerica.com.

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Discussions of the various planning strategies and issues are based on our understanding of the applicable federal income, gift, and estate tax laws in effect at the time of publication. However, tax laws are subject to interpretation and change, and there is no guarantee that the relevant tax authorities will accept Transamerica's interpretations. Additionally, the information presented here does not take into consideration the general tax and ERISA provisions applicable to defined benefit retirement plans or the applicable state laws of clients and prospects.

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Life insurance products are issued by Transamerica Occidental Life Insurance Company, Cedar Rapids, IA 52499. All products may not be available in all jurisdictions.



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