BORDEN HAMMAN

BUSINESS PLANNING STRATEGIES

STAY BONUS STRATEGY

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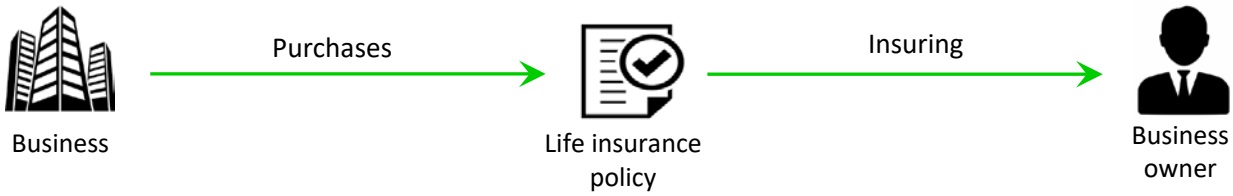
Leaving the family business to the next generation while retaining key personnel to ensure continuity.

KEEPING KEY EMPLOYEES ENGAGED THROUGH AN OWNERSHIP TRANSITION

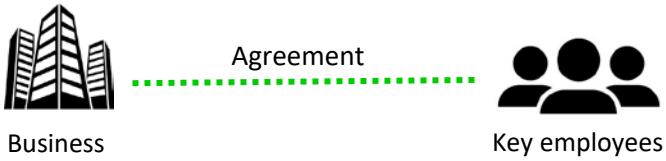
Small business owners often plan on leaving the family business to the next generation but are concerned that the business will struggle to survive when they die. The Stay Bonus Strategy is designed specifically to help ensure that key employees remain engaged and incentivized through an ownership transition.

STAY BONUS STRATEGY: HOW IT WORKS

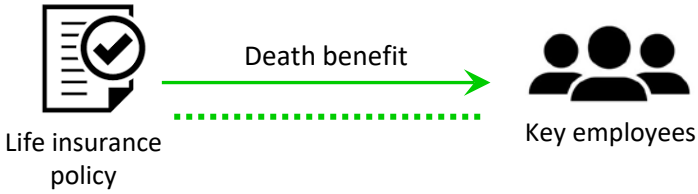
1 The business purchases a life insurance policy on the business owner's life. The purpose of the policy is to provide liquidity to potentially pay bonuses to select key employees after death of the owner.



2 If the business owner dies, a bonus agreement is drafted and executed to retain the key employees by providing a financial incentive to stay with the business.



3 The life insurance policy's death benefit proceeds provide the funds needed for the stay bonus.



THINGS TO CONSIDER

Since no ownership is transferred, your family will continue to own the business

Stay bonus must be drafted after your death

Employees will pay income taxes on the stay bonus, and the business will receive a deduction

Most insurance policies contain exclusions, limitations, reductions of benefits, and terms for keeping them in force. Ask your financial professional to provide you with costs and complete details. Guarantees are based on the claims-paying ability of the issuing insurance company. AIMCOR Group, LLC is not an insurer and does not issue contracts for coverage. This material is being provided for informational or educational purposes only and does not take into account theinvestment objectives or financial situation of any client or prospective clients.

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BUSINESS PLANNING STRATEGIES

STAY BONUS STRATEGY

WHY PERMANENT LIFE INSURANCE?

- Permanent, cash value life insurance policies provide permanent death benefit protection upon death of a business owner.
- These policies can grow in value over time and provide a source of funding for other business owner life stages (downturn, disability an departure).
- The owner of the policy can be the business owner, the business or an irrevocable life insurance trust (ILIT).

OWNER	WHY?	CONSIDERATIONS
Business owner	Business owner can have access to the policy	Will be included in the business owner's estate
Business	Business will pay the premiums of the policy	Cash value and death benefit are paid to the business, and there may tax issues taking policy proceeds out of the business
ILIT or spousal limited access trust	Keeps the policy out of the business owner's estate and outside the reach of the business's creditors	No access to the policy for the business owner

BENEFITS FROM A STAY BONUS

- Permanent, cash value life insurance policies provide permanent death benefit protection upon death of a business owner.
- These policies can grow in value over time and provide a source of funding for other business owner life stages (downturn, disability an departure).
- The owner of the policy can be the business owner, the business or an irrevocable life insurance trust (ILIT).

OWNER	OTHER OBJECTIVES
Business owner	Supplemental income, income replacement, legacy strategies
Business	Key person, entity redemption buy-sell
ILIT	Estate tax planning, legacy strategies

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