

Executive Bonus Plan

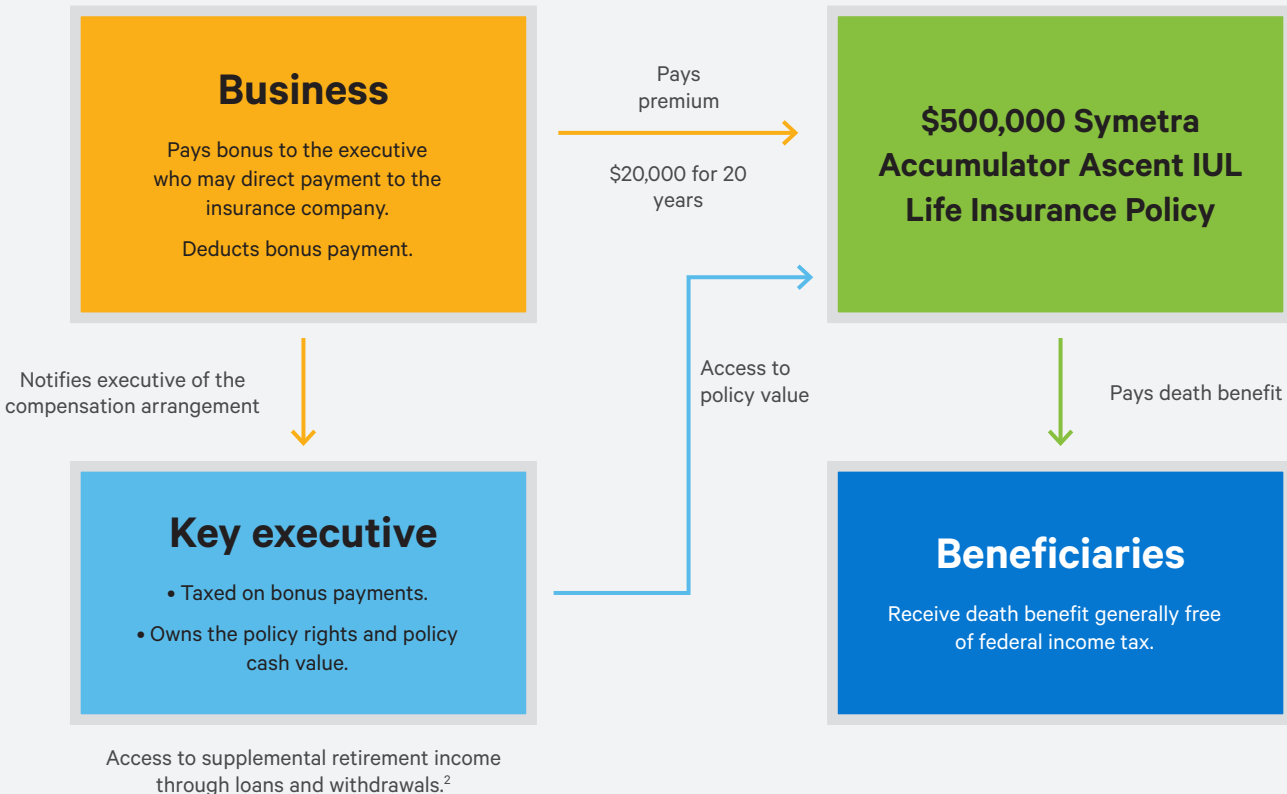
Help business owner clients protect their competitive edge using life insurance

A flexible solution for rewarding and retaining valued executives

An executive bonus plan (sometimes referred to as a “section 162” plan) is a company-paid life insurance policy for employees who are key to a company’s future success. The employees receive life insurance coverage to help protect their families, and the company records the tax-deductible premiums as compensation or bonuses to the key executives.

The executive bonus plan solution

In this scenario, Sarah is the owner of a successful business. She'd like to reward her valued employee, Tim (age 45), who has a young family, a need for additional life insurance and supplemental retirement income. Sarah notifies Tim of the compensation arrangement which provides an extra benefit by funding the annual premium of \$20,000 for a \$500,000 Symetra Accumulator Ascent IUL life insurance policy. Symetra Life will pay Tim's beneficiaries the policy's death benefit upon his death. Or Tim might also use the accumulated policy value as an additional source of retirement income. Sarah's business will receive a tax deduction for any bonus it pays to reward Tim, and she can opt to cover Tim's income tax costs with an extra cash bonus.¹



Focus

Rewarding and retaining key employees.³

Age

45

Gender

Male

Product

Symetra Accumulator Ascent IUL

Rate Class

Preferred Non-Nicotine

Death Benefit

\$500,000

Annual Premium

\$20,000 for 20 years (Ages 45-64)

Net Annual Policy Value Distributions

\$60,000 for 20 years (Ages 65-84)

Pre-tax Equivalent of Annual Policy Distributions

(32% tax rate) \$88,236 for 20 years (Ages 65-84)



The Result

- ✓ Tim receives added security for his family, the potential for an additional retirement nest egg and the option to continue the policy if he leaves the business. The cost to Tim is the annual income tax due of \$6,400 (assuming a 32% tax rate).
- ✓ For Sarah's business, the life insurance premiums of \$20,000 can be deducted as long as they are considered "reasonable compensation."¹ Assuming a 21% tax rate, the business receives a tax savings of \$4,200, netting a cost of \$15,800.
- ✓ As an alternative, the business can choose to cover Tim's income tax cost with an additional cash bonus. Tim's bonus will now be \$29,412, which will cover Tim's tax cost of \$9,412 (32% tax rate) plus the annual life insurance premium of \$20,000. The business receives a tax savings of \$6,176 (21% tax rate), netting a cost of \$23,235.

Symetra Accumulator Ascent IUL is a flexible premium adjustable life insurance policy with index-linked interest options issued by Symetra Life Insurance Company located at 777 108th Avenue NE, Suite 1200, Bellevue, WA 98004-5135. This policy is not available in all U.S. states or any U.S. territory; where available, it is usually issued under policy form number ICC17_LC1.

The Putnam Dynamic Low Volatility Excess Return Index with Bonus 1-Year Point-to-Point Account is usually issued under endorsement form number ICC22_LE2 and is not available in all U.S. states or any U.S. territory, and terms and conditions may vary by state in which it is available.

Election of a Putnam Index Strategy does not guarantee a greater index credit for any other index segment term.

There are other index strategies available within Symetra Accumulator Ascent IUL.

Symetra Accumulator Ascent IUL has fixed and indexed accounts. Interest credited to the indexed accounts is affected by the value of outside indexes. Values based on the performance of any index are not guaranteed. The policy does not directly participate in any outside investment or index.

Guarantees and benefits are subject to the claims-paying ability of the issuing insurance company.

Life insurance policies contain exclusions, limitations, reductions of benefits and terms for keeping them in-force. Please refer to the policy for complete details.

Except for the Putnam Dynamic Low Volatility Excess Return Index, the performance of an index does not include the payment or reinvestment of dividends in the calculation of its performance.

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This is not a complete description of your Symetra Accumulator Ascent IUL policy. For a more complete description, please refer to the policy.

This material is not intended to provide investment, tax or legal advice. Your client should consult with their attorney or tax professional for more information.

¹ The deductibility of the executive bonus is subject to the reasonable compensation limits in Internal Revenue Code Section 162(a).

² Policy loans and withdrawals are only available prior to the death of the insured(s) and will reduce the policy death benefit and cash surrender value. This may cause the policy to lapse and may be taxable. Loans or withdrawals on modified endowment contracts (MECs) may be subject to federal income tax and an additional 10% tax on amounts taken prior to age 59½.

³ This hypothetical illustration is based on a Symetra Accumulator Ascent IUL life insurance policy for a 45-year-old male in a Preferred Non-Nicotine rate class with annual premiums of \$20,000 for 20 years. The initial death benefit is \$500,000 using death benefit option B (increasing) switching to death benefit option A (level) in year 21. Policy distributions are based on a solve for maximum income year 21-40 (withdrawals switching to loans) and a \$100,000 policy value at age 119. The initial crediting rate is 5.97% with current insurance charges, and uses the Putnam Dynamic Low Volatility Excess Return Index with Bonus – 1 Year Point-to-Point Index Strategy.

Questions?

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