

BUSINESS PLANNING

RESTRICTIVE EXECUTIVE BONUS ARRANGEMENT (REBA)

CONCEPT APPLIED:

A Restrictive Executive Bonus Arrangement (REBA) is an attractive benefit that combines a tax-deductible bonus with a restrictive endorsement on a personal life insurance policy. It is straightforward, simple to implement, and easy to administer.

HOW IT WORKS:

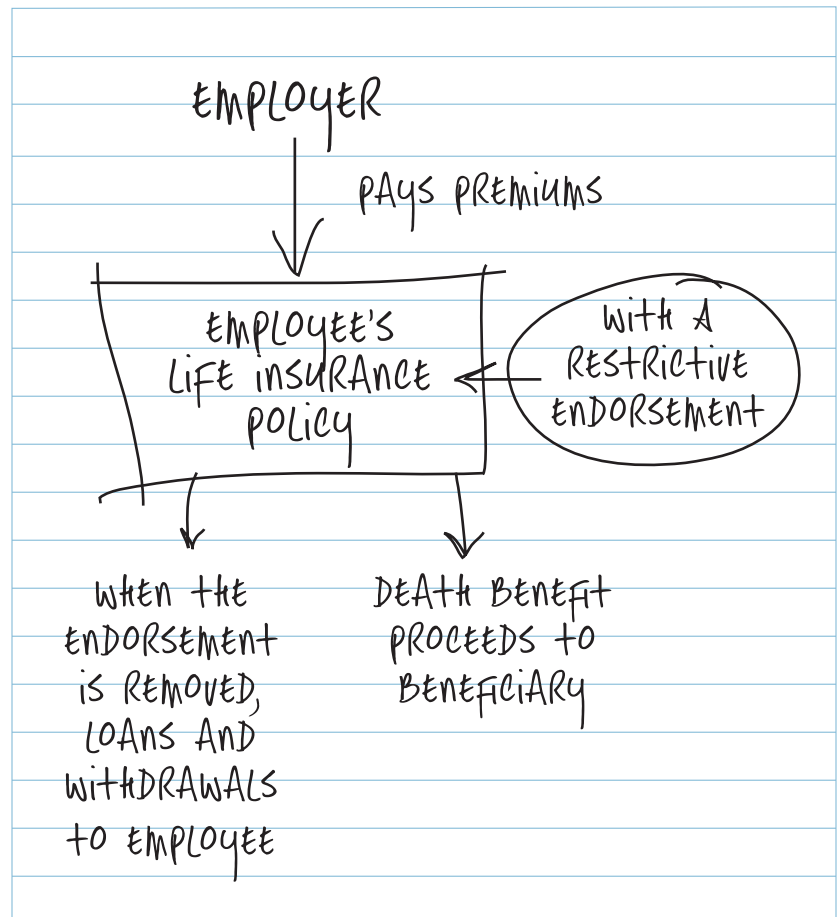
- ◆ Business owners choose the executive they wish to reward.
- ◆ The executive applies for and owns a personal life insurance policy with a restrictive endorsement that limits access to cash values.
- ◆ The employer agrees to pay premiums in exchange for the executive's unsecured promise to continue employment for a specified agreement.
- ◆ The employer uses fully deductible bonus payments to pay premiums.

WHY IS IT USEFUL?

A REBA helps business owners recruit and retain key employees using a tax-deductible bonus arrangement. The executive benefits from needed personal life insurance, tax-deferred growth of policy values, and at the end of the specified employment period, cash values can be accessed using tax-free loans and withdrawals.

50 words or less

An employer uses a REBA to provide personal life insurance protection. In a new or modified employment contract, the employer agrees to pay premiums and the executive agrees to continue employment for a specified period, during which access to the policy is restricted.



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