

Lincoln *MoneyGuard*[®] solutions for Executive Bonus (Section 162) Plans



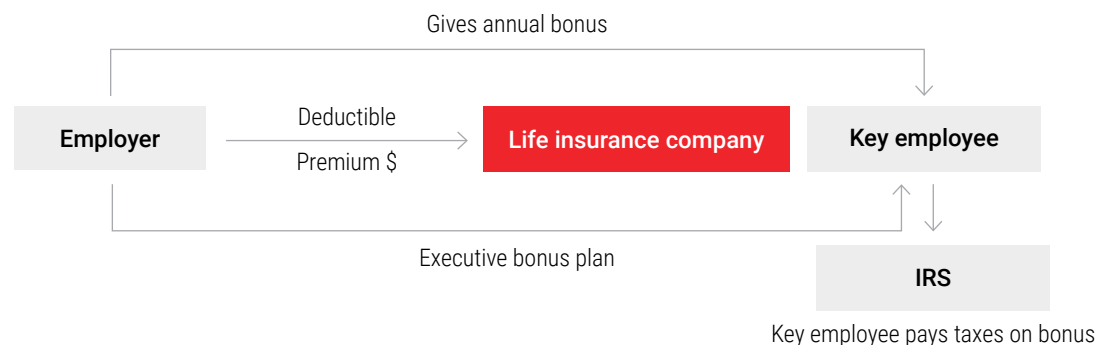
Executive bonus plans work for most kinds of businesses, including C-corporations, S-corporations, Limited Liability Companies (LLCs), partnerships, and even tax-exempt organizations.

One way for employers to retain and attract top talent is through bonus compensation, but this doesn't always mean cash compensation.

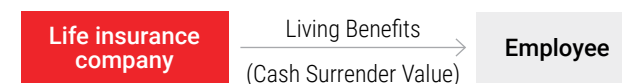
For many employers, an executive bonus (Section 162) plan is an effective way to reward key employees by paying premiums toward their long-term care protection. This type of bonus reaffirms that an employee is a valuable partner in the success of the organization and is a powerful incentive for employees to continue meeting performance goals, while also providing tangible, useful benefits for them and their families.

Lincoln *MoneyGuard*[®] solutions provide a valuable option for executive bonus plans. The employer gives its employee an annual bonus amount equivalent to the annual cost of the policy premium. The employee owns the *MoneyGuard* policy and will need to pay income taxes on the bonus, just as they would for any compensation. The employer may also choose to compensate the employee with a bonus that covers the annual premium plus the income taxes due by the employee. This is commonly referred to as a double bonus. To incentivize longevity with the company, the employer may choose to spread premium-payment bonuses over five, 10, or more years. If the employee stays with the company for that amount of time, they will own a fully funded policy.

During employment

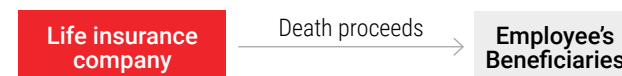


During Employment¹ and/or Retirement



¹May include a restrictive endorsement that limits employee access to living benefits for a predetermined number of years.

At Death



Insurance products issued by:
The Lincoln National Life Insurance Company

For financial professional use only. Not for use with the public.

Using *MoneyGuard*[®] as bonus compensation

Meet business owner, Jody, and her employee, Dean

Jody owns a family business, and she credits much of her company's success to her plant manager, Dean, age 55. Jody wants to reward Dean's contributions while also encouraging him to stay with the company for the rest of his career. When developing a compensation strategy, Jody considers the intellectual loss of Dean leaving in addition to the cost of recruiting and training his replacement. To reward Dean now and incentivize him to remain with her company, Jody offers him a bonus that involves the purchase of a *MoneyGuard Fixed Advantage*[®] policy.¹

Here's how it works

Jody's company pays Dean a \$10,000 annual bonus that he uses to pay the premium on a *MoneyGuard Fixed Advantage*[®] policy each year for a 10-year period. Dean has incentive as the policy owner to continue working in his position during those 10 years. He also has the reassurance of a death benefit for his family, should anything happen to him.



¹ This planning scenario is only valid if the employee qualifies for coverage. If the employee leaves their place of employment prior to the policy being fully paid, they become responsible for subsequent premium payments or may choose to surrender their policy.

Employer

Jody's business receives a tax deduction on the bonuses it pays, reducing the after-tax cost of the bonus compensation.

End of Year	Age	Bonus Payment	35.00% Tax Deduction	Net After-tax Cost @ 35.00%
1	56	10,000	3,500	6,500
2	57	10,000	3,500	6,500
3	58	10,000	3,500	6,500
4	59	10,000	3,500	6,500
5	60	10,000	3,500	6,500
		50,000	17,500	32,500
6	61	10,000	3,500	6,500
7	62	10,000	3,500	6,500
8	63	10,000	3,500	6,500
9	64	10,000	3,500	6,500
10	65	10,000	3,500	6,500
		100,000	35,000	65,000

The business is in a 35% tax bracket and Dean is in a 30% tax bracket.

Employee

Beginning in year one, the cash surrender value of Dean's policy will exceed what he pays in taxes on the bonus each year. This means that Dean will not need to pay taxes on gains if he decides to surrender the policy at any time.

Premium Outlay	Bonus Received	30.00% Tax on Bonus	Policy Distributions	Net After-tax Cost	Cash Surrender Value	Death Benefit
10,000	10,000	3,000	0	3,000	7,000	150,813
10,000	10,000	3,000	0	3,000	14,000	150,813
10,000	10,000	3,000	0	3,000	21,000	150,813
10,000	10,000	3,000	0	3,000	28,000	150,813
10,000	10,000	3,000	0	3,000	35,000	150,813
50,000	50,000	15,000	0	15,000		
10,000	10,000	3,000	0	3,000	42,000	150,813
10,000	10,000	3,000	0	3,000	49,000	150,813
10,000	10,000	3,000	0	3,000	56,000	150,813
10,000	10,000	3,000	0	3,000	63,000	150,813
10,000	10,000	3,000	0	3,000	70,000	150,813
100,000	100,000	30,000	0	30,000		

Dean's LTC Benefits

This policy provides a maximum monthly LTC benefit of over \$6,000 in year one that increases over time. By age 65, that amount grows to over \$8,000 a month (assuming 3% compound inflation). There is also a death benefit payable to a beneficiary of Dean's choosing if he never needs LTC.

This case study shows hypothetical values and is intended for illustrative purposes only. Policy assumptions: Male, age 55, couples discount underwriting class, 6-year benefit duration with 3% inflation option, basic return of premium (70% of paid premiums). Vested return of premium (100% available after year 10) is also available for an additional cost. Assumes all premiums are paid on-time, no post-issue loans, withdrawals, increases or decreases.

Provide more than compensation

Jody's company demonstrates Dean's importance to their operations in a way that helps him build value in a long-term care plan. His family will benefit from the assurance that they will have resources to help take care of him if his care needs ever change. If he never needs care, the death benefit will help support his family when he is gone.

Determining the best way to reward and retain key employees is essential to a company's bottom line and growth. By selecting *MoneyGuard* solutions as part of an executive bonus, or Section 162 plan, businesses can provide tangible benefits and offer meaningful compensation that provides employees with more than a cash payment.



Speak with your financial professional to learn how using Lincoln *MoneyGuard*® solutions for Section 162 Executive Bonuses can reward and help retain key employees.

Not a deposit
Not FDIC-insured
Not insured by any federal government agency
Not guaranteed by any bank or savings association
May go down in value

©2024 Lincoln National Corporation

[LincolnFinancial.com](https://www.lincolnfinancial.com)

Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates.

Affiliates are separately responsible for their own financial and contractual obligations.

LCN-5415825-011723

PDF ADA 1/24 Z04

Order code: MG-EB162-FLI001



Lincoln Financial Group® affiliates, their distributors, and their respective employees, representatives and/or insurance agents do not provide tax, accounting or legal advice. Please consult an independent professional as to any tax, accounting or legal statements made herein.

***MoneyGuard Fixed Advantage*® is a universal life insurance policy with a long-term care rider issued by The Lincoln National Life Insurance Company, Fort Wayne, IN, on Policy Form ICC19-MG890/19-MG890 and state variations with the following riders: Value Protection Endorsement (VPE) on form ICC19END-10534/END-10534; Terminal Illness Acceleration of Death Benefit Rider (TIR) on form ICC19TIR-891/TIR-891; Long-Term Care Benefits Rider (LTCBR) on form ICC19LTCBR-890/LTCBR-890; Benefit Transfer Rider on form ICC21BTR-894/BTR-894. Available in all states except CA and NY.**

All guarantees and benefits of the insurance policy are subject to the claims-paying ability of the issuing insurance company.

They are not backed by the broker-dealer and/or insurance agency selling the policy, or any affiliates of those entities other than the issuing company affiliates, and none makes any representations or guarantees regarding the claims-paying ability of the issuer.

Product not available in New York.

For use in all states except: CA and NY.

For financial professional use only. Not for use with the public.