



Nationwide[®]
is on your side

Business planning

Restrictive executive bonus
arrangement (REBA)
using life insurance



What's the blueprint for
keeping good employees?



• Not a deposit • Not FDIC or NCUSIF insured • Not guaranteed by the institution • Not insured by any federal government agency • May lose value

Add life to your business

Small business owners know there's more to running a successful company than just being good at what you do. You have to have the right professionals working with you to get the job done.

Do you have what it takes to retain the employees who mean the most to your business?

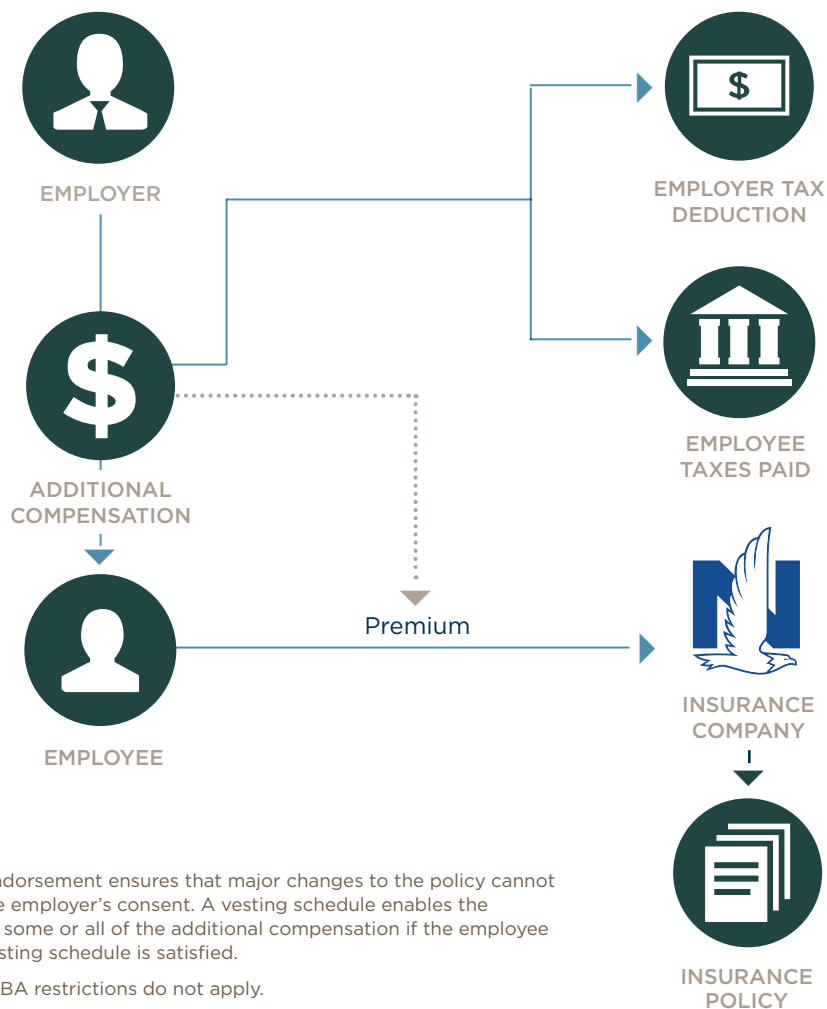
Maybe it's time you learn about an executive bonus plan using life insurance.

Be sure to choose a strategy and product that are suitable for the long-term goals of both the business and its employees. Weigh objectives, time horizon and risk tolerance, as well as any associated costs, before investing. Market volatility can lead to the need for additional premium in the policy. Variable life insurance has fees and charges that include costs of insurance, underlying fund expenses and administrative fees. Investing involves risk, including possible loss of principal.

Executive bonus plans

Key employees can help create and sustain successful companies. And executive bonus plans and REBAs using life insurance can help you recruit, reward and retain these key employees who have a life insurance need.

During the Working Years



How it works

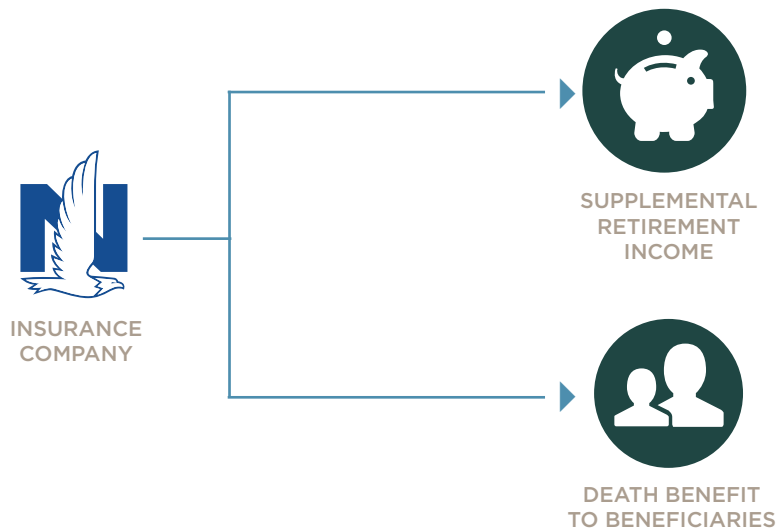
An executive bonus plan is a raise in pay, given to key employees with a life insurance need, which is directly deposited into a life insurance policy. It's owned by the employee and is subject to payroll taxes, including individual income, Social Security and Medicare taxes. But it's tax deductible for the employer.

The plan offers a death benefit for the employee's family, as well as a tax-efficient cash flow to supplement existing retirement assets later on. In fact, with proper planning, both the cash flow and the death benefit can be made free from five types of taxes.

The types of taxes:

- Federal income
- State income
- Capital gains
- Social Security
- City income

After the Working Years



REBA: After the restrictive endorsement expires and after the vesting schedule is satisfied, the employee has complete control of the policy and access to cash values.

Executive bonus: REBA restrictions do not apply.

Note: The employer could choose to use the double bonus program and give an additional bonus to cover the income tax due from the employee for the bonus of the insurance premium.



Benefits for employers

Executive Bonus

- Bonuses are tax deductible to the business
- The employer has complete discretion in selecting which employees to reward
- There are no maximum or minimum contribution requirements
- No IRS approval is required
- The employer can end the plan at any time
- The plan is simple, straightforward and easy to implement
- No third-party administration is necessary
- The employee receives the compensation free and clear of any conditions, so the employer has no control over what happens once the bonus is paid

Restrictive Executive Bonus Arrangement (REBA)

In addition to the following benefits, all of those listed for the Executive Bonus (above) also apply.

- “Golden handcuffs” are created through a restrictive endorsement and vesting schedule
- A repayment obligation allows the employer to recover some or all of the additional compensation if things with the employee don't work out
- Restrictive endorsement requires employer approval for major changes to policy



For employees

Benefits of using either plan

- The life insurance policy funding the executive bonus plan is owned by the employee
- Tax due on the bonus to the employee can be covered by an additional bonus from the company
- Cash values accumulate tax deferred
- Tax-preferred cash flow can be received from the policy through withdrawals and loans
- The employee controls the policy, including selecting the beneficiary and allocating the assets
- The employee chooses when to make retirement withdrawals and how much they will be
- No pre-59½ early withdrawal penalties
- No required minimum distributions at age 70½
- An opportunity to accumulate retirement income and death benefit protection within one life insurance policy

Drawbacks of using either plan

- The additional compensation from the employer will increase the employee's W-2 compensation for that calendar year, increasing employee taxes for that year
- If the plan is funded with life insurance as proposed here, the employee will need to be insurable
- If the employee leaves the employer prematurely, the policy may lapse if the employee cannot fund the policy on their own



Meet Don •

All of the characters are fictitious, meant to represent typical individuals in typical business situations. The following information is designed to demonstrate one possible solution to a complex problem. You should work carefully with your investment professional to determine the solution that best meets your specific needs and objectives.

His story

Don founded a home remodeling business specializing in luxury baths and kitchens in 1985. In the mid-1990s, he hired Ken to help with project management and sales.

Ken proved to be a very talented salesperson and quite entrepreneurial in suggesting growth strategies. Over time, his role evolved, and in 2000 he was promoted to Vice President of Sales.

Don knows that Ken would like additional life insurance coverage for his family, and Don would also like to find a way to reward and retain Ken, so he calls his investment professional, Bill, to discuss the situation.

His strategy

Bill explains that an executive bonus plan using life insurance can help meet Don's key employee needs, as well as offer benefits to the company.

It offers Ken's family the the survivor benefits they need in the event of Ken's premature death. Or when Ken retires, he'll receive tax-efficient cash flow to supplement his retirement assets.

The benefit amount and payment timing are extremely flexible, giving Don great freedom in rewarding Ken for superior performance. And, the executive bonus plan requires less administration and has none of the funding restrictions of a qualified plan.

The policy could also be used to meet long-term care needs, should the situation arise.



Call your investment professional today for more information on executive bonus plans using life insurance, as well as any of these other business planning options:





Some things to keep in mind:

- This strategy does not guarantee returns or insulate the policyowner from losses, including loss of principal
- The death benefit and any guarantees are subject to the claims-paying ability of the issuing insurance company
- Nationwide® and its representatives do not give legal or tax advice; you should consult your legal or tax advisor for answers to specific tax questions
- Loans and partial withdrawals will reduce the death benefit payable to beneficiaries, and withdrawals above the available free amount will incur surrender charges
- Surrender charges vary by issue age, sex, underwriting rate class and product; these charges decline over time, so please see the prospectus for details

- Buy/sell agreements
- Insurance-based retirement plans
- Key person insurance
- Nonqualified deferred compensation plans
- Split dollar plans



Throughout this brochure, we discuss access to money via loans and partial withdrawals. This assumes the contract qualifies as life insurance under Section 7702 of the Internal Revenue Code (IRC) and is not a modified endowment contract (MEC) under Section 7702A. As long as the contract meets non-MEC definitions under Section 7702A, most distributions are taxed on a first-in/first-out basis. Loans and partial withdrawals from a MEC will generally be taxable and, if taken prior to age 59½, may be subject to a 10% tax penalty.

All individuals selling this product must be licensed insurance agents and registered representatives.

Products are issued by Nationwide Life Insurance Company or Nationwide Life and Annuity Insurance Company, Columbus, Ohio. The general distributor is Nationwide Investment Services Corporation, member FINRA.

Nationwide, Nationwide is on your side and the Nationwide N and Eagle are service marks of Nationwide Mutual Insurance Company.
© 2014–2018 Nationwide

NFM-1848AO.11 (05/18)