Allianz

Allianz Life Insurance Company of North America

LIFE ADVANCED MARKETS

Executive bonus plan using life insurance (double bonus): Example resolution

Authorizes the key employee compensation arrangement and ensures it is implemented in a structured and legally sound manner

One common alternative to an annual cash bonus is to pay the contributions into a cash value life insurance policy, insuring the life of the selected key employee.

In the double bonus approach, the employer pays the premiums on a life insurance policy owned by the employee. Payments are typically made directly to the insurance carrier and are effectively the first bonus to the selected employee.

Because the premium payments are taxable as ordinary income to the employee at ordinary income rates, the employer pays a second bonus to cover all or a portion of the income tax the employee may incur. (Premiums paid by the employer as well as any additional bonus amounts are treated as a compensation expense and are therefore generally tax-deductible for the employer.)

In addition to the agreement document, a corporate resolution is necessary to authorize the plan and ensure it is implemented in a structured and legally sound manner.

Keep in mind that any strategy that includes life insurance is contingent on the health underwriting of the insured and financial underwriting. Employers should consult with financial professionals and tax professionals to determine whether it is an appropriate strategy for their specific situation.

All legal documents need to be drafted by an attorney; this example is provided as a reference for your discussions.

IUL

Indexed Universal Life (IUL)
With its death benefit protection, accumulation potential, and the opportunity for loans and withdrawals, IUL can be a valuable tool for small businesses to address key-employee compensation, business succession, and business-owner estate-planning strategies.

NEED ADDITIONAL HELP? Call the Life Case Design Team at **800.950.7372.**

This sample document is for general information only and is not intended to be legal, tax, or financial advice. Allianz Life Insurance Company of North America, its affiliates, and their employees do not provide tax or legal advice. We assume no responsibility or liability for any errors or omissions in the content of this document, nor for any actions taken based on it.

Clients should consult their own legal counsel to ensure that any agreements meet their specific needs and comply with applicable laws and regulations. The provision of this specimen document does not imply endorsement or approval of any specific terms or conditions contained within it. It is not adapted to the specific circumstances or objectives clients may have.

Allianz Life Insurance Company of North America does not provide financial planning services.

Indexed universal life (IUL) insurance policies provide a death benefit that is generally paid income-tax-free to beneficiaries, and the potential to build tax-deferred accumulation value. IUL requires qualification through health and financial underwriting.

Policy loans and withdrawals will reduce the available cash value and death benefit and may cause the policy to lapse, or affect guarantees against lapse. Withdrawals in excess of premiums paid will be subject to ordinary income tax. Additional premium payments may be required to keep the policy in force. In the event of a lapse, outstanding policy loans in excess of unrecovered cost basis will be subject to ordinary income tax. If a policy is a modified endowment contract (MEC), policy loans and withdrawals will be taxable as ordinary income to the extent there are earnings in the policy. If any of these features are exercised prior to age 59½ on a MEC, a 10% federal additional tax may be imposed. Tax laws are subject to change, and you should consult a tax professional.

Product and feature availability may vary by state and broker/dealer.

Guarantees are backed solely by the financial strength and claims-paying ability of Allianz Life Insurance Company of North America.

Products are issued by Allianz Life Insurance Company of North America, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297. 800.950.1962 www.allianzlife.com

This content does not apply in the state of New York.

For financial professional use only – not for use with the public.

CORPORATE RESOLUTION OF EMPLOYER

(to be used with Executive Bonus Agreement – Double-Bonus Approach)

The undersigned, being all of the directors of _____, a corporation duly organized and existing under and by virtue of the laws of the State of ___, at a meeting of the board of directors duly called on the ___ day of _____, 20___, and held at _____, with a quorum present, unanimously adopt the following resolutions:

WHEREAS, _____ (the "Employee") as a valued employee of the company has acquired experience and knowledge and has performed valuable services to the business of the company and the company desires that Employee continue to do so; and

WHEREAS, the company desires to recognize the valued contributions of the Employee to the company and desires to provide the Employee with an additional incentive to continue employment with the company and is therefore willing to assist the Employee in providing life insurance for the benefit and protection of the Employee's family by paying the life insurance premiums on behalf of the Employee which shall constitute bonus compensation to the Employee.

WHEREAS, the company further desires to pay the Employee additional bonus compensation to cover the combined, marginal state and federal income tax on the premium amounts paid by the company on behalf of the Employee.

BE IT RESOLVED: That the company is hereby authorized to adopt for the benefit of the Employee the terms and conditions of that certain Executive Bonus Agreement between the company and the Employee, as attached hereto in specimen form (the "Agreement") and which is incorporated herein by this reference and made a part hereof as if fully set out herein.

BE IT FURTHER RESOLVED: That the appropriate officers of the corporation are hereby authorized and directed to take the necessary steps to institute the Agreement and to pay from the company's funds: (1) such portions of the life insurance premiums for the purchase of a life insurance policy on the life of the Employee, with an appropriate face amount, issued by Allianz Life Insurance Company of North America, as described in the Agreement; and (2) an additional bonus amount to the employee each year approximately equal to the combined, marginal state and federal income tax to the Employee on the premiums which are paid on behalf the Employee.

By signing this instrument, the undersigned take the above actions on the _____ day of 20___.

_____
Director

_____
Director

_____
Director

_____
Director

SAMPLE