

Bonus and Tax Loan Plan[®]

Overview

How can employees receive an executive bonus and minimize out-of-pocket costs when paying the income tax on the bonus? A Bonus and Tax Loan Plan[®] (BATL Plan[®]) may be the answer.

What is a Bonus and Tax Loan Plan[®]?

The BATL Plan[®] is a hybrid of an executive bonus plan and a split-dollar agreement. The employer gives the employee an annual bonus and then loans the employee the funds to cover the cost of the income taxes owed on the bonus.¹ The employee owes loan interest to the employer on the outstanding loan. Interest can be paid annually or it can be accrued. The loan is paid back either when the employee begins to take supplemental retirement income from the life insurance policy cash values or from the death benefit if the employee should die prematurely.²

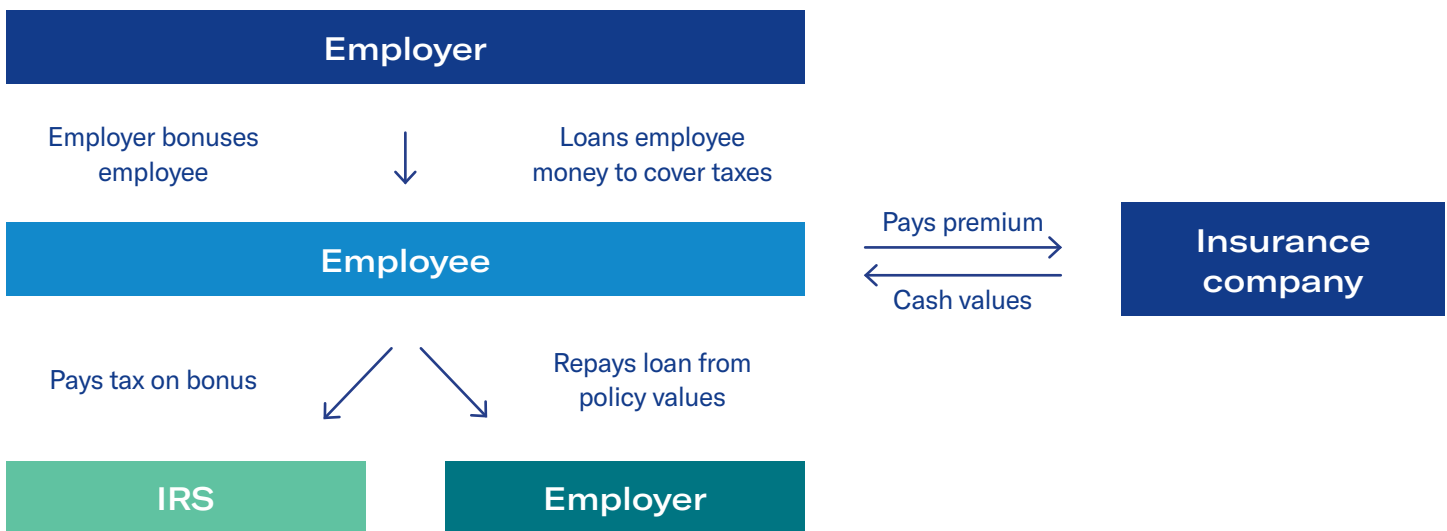
Do you have clients like this?

Employers who:

- Desire to reward selected highly compensated employees
- Want to have golden handcuffs on their key executives
- Want a plan that is easy to set up with simple administration

BATL Plan[®] at-a-glance:

The Bonus and Tax Loan Plan[®]: how it works



¹ The BATL Plan[®] is generally appropriate only for non-publicly traded companies, due to the Sarbanes-Oxley Act's prohibition of employer-originated loans to executives of publicly traded companies.

² Policy loans and withdrawals will reduce the face amount of the policy and increase the chance it may lapse.

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