

Controlled Executive Bonus Plan

The Plan Description

Of all the strategies available for an employer to provide unique benefits for selected executives, a bonus used to pay the premium for an executive-owned cash value life insurance policy is highly rewarding yet very simple to implement and administer.

There are two categories of this benefit plan:

Plans with Unrestricted Access

This executive owns the policy and has no restriction on access to plan values.

Plans with Deferred Access

This plan includes an "endorsement of ownership rights" in which the executive agrees to make no loans or withdrawals on the policy without the employer's consent or until a specific date or event occurs -- such as retirement.

This variation also has a feature known as a "Controlled Bonus" in which the executive must repay the bonus should termination of employment occur prior to a certain date or event.

These plans have the following features:

1. Employer can pick and choose participants;
2. Employer can deduct its funding costs;
3. Executive has tax free access to cash values through policy loans (the Deferred Access variation limits this feature);
4. Income tax free death benefits for the executive's family;
5. No regulatory approval required;
6. Any size business can establish a plan;
7. Types of business entities:
C corporations and tax exempt organizations: The plan is suitable for any executive.
S corporations, LLCs, and Partnerships: The plan is suitable for any non-owner executive.
8. Advance of death benefits in certain adverse health circumstances - as defined in the policy.

This compensation plan has a considerable amount of financial leverage that is particularly evident in the accompanying presentation.

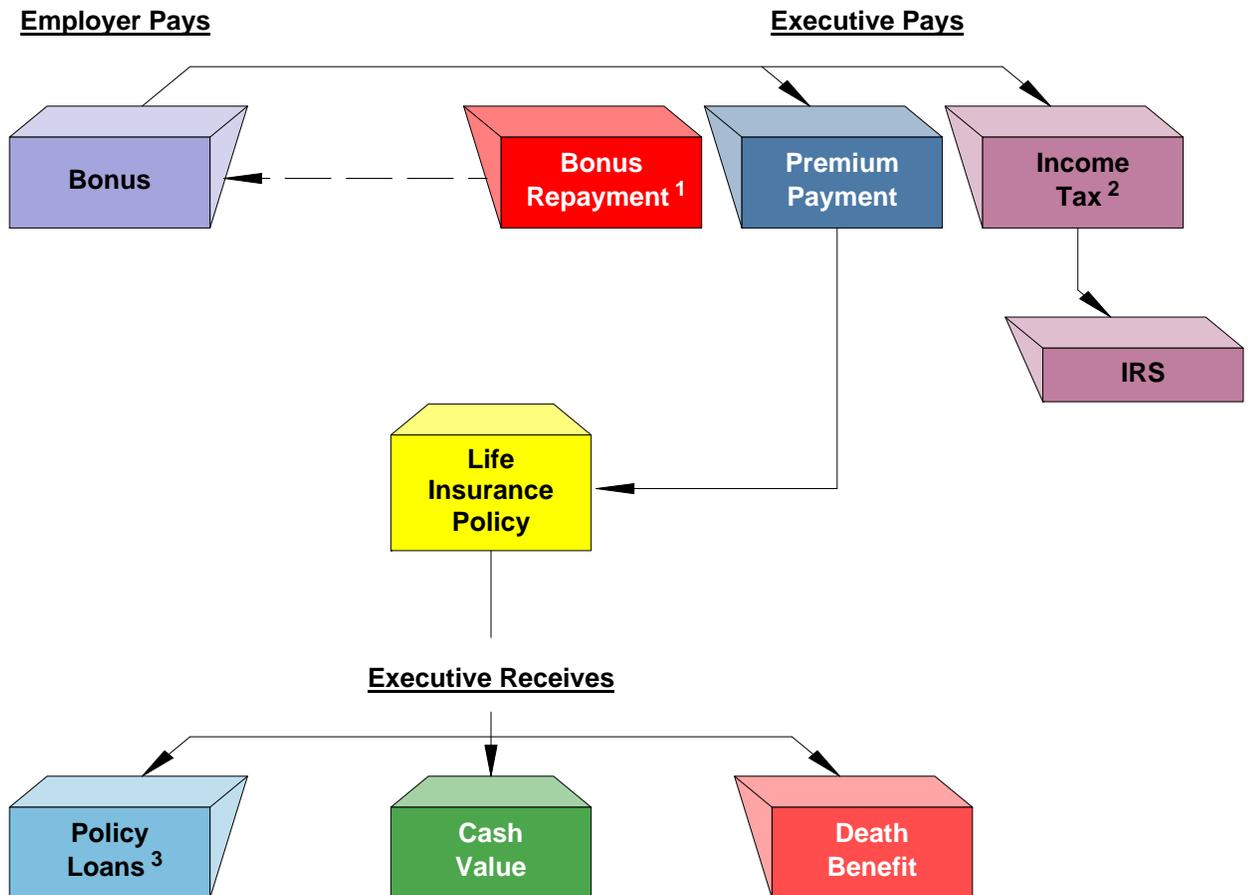
Controlled Executive Bonus Plan Using Indexed Universal Life

Who Pays What - Who Receives What

Presented By: [Licensed user's name appears here]
Date: [Current date appears here]

Insured: Tom Hamilton
Employer: Acme Ford, LLC
Limited Liability Co

Flow Chart Analysis



¹ Bonus must be repaid if the executive does not remain employed for a specified period of time.

² Due on the bonus received.

³ For Retirement Income.

Controlled Executive Bonus Plan Using Indexed Universal Life

Values Page: 1

Presented By: [Licensed user's name appears here]

Insured: Tom Hamilton

Date: [Current date appears here]

Employer: Acme Ford, LLC

Limited Liability Co

Male Age 40	Employer's Tax Bracket 40.00%	Executive's Tax Bracket 40.00%	Indexed UL Interest Rate 7.50%	Initial Payment 60,000	Initial Death Benefit 2,600,000
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Year	Employer's Costs		Executive's Costs				Executive's Values			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Bonus to the Executive	Cost of the Bonus (Net Payment)	Policy Premium	Bonus from Employer -	Income Tax on Column (4) +	Executive's Net Payment =	Retirement Income Net Loan Proceeds	Year End Accum Value*	Year End Cash Value*	Death Benefit
1	100,000	60,000	60,000	100,000	40,000	0	0	51,002	0	2,600,000
2	100,000	60,000	60,000	100,000	40,000	0	0	105,628	46,816	2,600,000
3	100,000	60,000	60,000	100,000	40,000	0	0	164,106	111,820	2,600,000
4	100,000	60,000	60,000	100,000	40,000	0	0	226,688	180,954	2,600,000
5	100,000	60,000	60,000	100,000	40,000	0	0	293,668	254,460	2,600,000
6	100,000	60,000	60,000	100,000	40,000	0	0	366,027	333,345	2,600,000
7	100,000	60,000	60,000	100,000	40,000	0	0	444,275	418,145	2,600,000
8	0	0	0	0	0	0	0	467,619	448,015	2,600,000
9	0	0	0	0	0	0	0	493,305	480,253	2,600,000
10	0	0	0	0	0	0	0	521,529	515,003	2,600,000
11	0	0	0	0	0	0	0	558,764	558,764	2,600,000
12	0	0	0	0	0	0	0	598,641	598,641	2,600,000
13	0	0	0	0	0	0	0	641,344	641,344	2,600,000
14	0	0	0	0	0	0	0	687,053	687,053	2,600,000
15	0	0	0	0	0	0	0	735,978	735,978	2,600,000
16	0	0	0	0	0	0	0	788,301	788,301	2,600,000
17	0	0	0	0	0	0	0	844,301	844,301	2,600,000
18	0	0	0	0	0	0	0	904,256	904,256	2,600,000
19	0	0	0	0	0	0	0	968,465	968,465	2,600,000
20	0	0	0	0	0	0	0	1,037,257	1,037,257	2,600,000
	700,000	420,000	420,000	700,000	280,000	0	0			

20 Year Summary

*This is an InsMark supplemental illustration for indexed universal life. In an actual presentation, this footnote refers to an accompanying basic illustration from a specific life insurance company with important details, caveats, and guarantees.

Employer's Cumulative Net Payments	420,000
Executive's Cumulative Net Payments	0
Executive's Cum. A/T Retirement Income	0
Cash Value	1,037,257
Executive's Death Benefit	2,600,000

Controlled Executive Bonus Plan Using Indexed Universal Life

Values Page: 2

Presented By: [Licensed user's name appears here]

Insured: Tom Hamilton

Date: [Current date appears here]

Employer: Acme Ford, LLC
Limited Liability Co

Male Age 40	Employer's Tax Bracket 40.00%	Executive's Tax Bracket 40.00%	Indexed UL Interest Rate 7.50%	Initial Payment 60,000	Initial Death Benefit 2,600,000
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Year	Employer's Costs		Executive's Costs				Executive's Values			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Bonus to the Executive	Cost of the Bonus (Net Payment)	Policy Premium	Bonus from Employer -	Income Tax on Column (4) +	Executive's Net Payment =	Retirement Income Net Loan Proceeds	Year End Accum Value*	Year End Cash Value*	Death Benefit
21	0	0	0	0	0	0	0	1,110,954	1,110,954	2,600,000
22	0	0	0	0	0	0	0	1,189,901	1,189,901	2,600,000
23	0	0	0	0	0	0	0	1,274,444	1,274,444	2,600,000
24	0	0	0	0	0	0	0	1,364,986	1,364,986	2,600,000
25	0	0	0	0	0	0	0	1,461,970	1,461,970	2,600,000
26	0	0	0	0	0	0	100,000	1,437,552	1,437,552	2,494,700
27	0	0	0	0	0	0	104,386	1,413,168	1,413,168	2,379,201
28	0	0	0	0	0	0	108,903	1,389,143	1,389,143	2,252,823
29	0	0	0	0	0	0	113,556	1,365,881	1,365,881	2,114,848
30	0	0	0	0	0	0	118,349	1,343,907	1,343,907	1,964,513
31	0	0	0	0	0	0	123,285	1,323,875	1,323,875	1,801,013
32	0	0	0	0	0	0	128,370	1,306,610	1,306,610	1,623,493
33	0	0	0	0	0	0	133,607	1,293,119	1,293,119	1,563,947
34	0	0	0	0	0	0	139,001	1,283,713	1,283,713	1,523,201
35	0	0	0	0	0	0	144,557	1,278,238	1,278,238	1,479,889
36	0	0	0	0	0	0	150,280	1,277,553	1,277,553	1,433,713
37	0	0	0	0	0	0	156,174	1,281,572	1,281,572	1,451,047
38	0	0	0	0	0	0	162,245	1,290,967	1,290,967	1,475,041
39	0	0	0	0	0	0	168,498	1,306,469	1,306,469	1,506,524
40	0	0	0	0	0	0	174,939	1,328,874	1,328,874	1,546,400
	700,000	420,000	420,000	700,000	280,000	0	2,026,150			

40 Year Summary

*This is an InsMark supplemental illustration for indexed universal life. In an actual presentation, this footnote refers to an accompanying basic illustration from a specific life insurance company with important details, caveats, and guarantees.

Employer's Cumulative Net Payments	420,000
Executive's Cumulative Net Payments	0
Executive's Cum. A/T Retirement Income	2,026,150
Cash Value	1,328,874
Executive's Death Benefit	1,546,400

Controlled Executive Bonus Plan Using Indexed Universal Life

Values Page: 3

Presented By: [Licensed user's name appears here]

Insured: Tom Hamilton

Date: [Current date appears here]

Employer: Acme Ford, LLC
Limited Liability Co

Male Age 40	Employer's Tax Bracket 40.00%	Executive's Tax Bracket 40.00%	Indexed UL Interest Rate 7.50%	Initial Payment 60,000	Initial Death Benefit 2,600,000
-------------------	-------------------------------------	--------------------------------------	--------------------------------------	------------------------------	---------------------------------------

Year	Employer's Costs		Executive's Costs				Executive's Values			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Bonus to the Executive	Cost of the Bonus (Net Payment)	Policy Premium	Bonus from Employer -	Income Tax on Column (4) +	Executive's Net Payment =	Retirement Income Net Loan Proceeds	Year End Accum Value*	Year End Cash Value*	Death Benefit
41	0	0	0	0	0	0	181,573	1,358,990	1,358,990	1,595,589
42	0	0	0	0	0	0	188,406	1,397,653	1,397,653	1,655,043
43	0	0	0	0	0	0	195,444	1,445,784	1,445,784	1,725,809
44	0	0	0	0	0	0	202,694	1,504,366	1,504,366	1,809,001
45	0	0	0	0	0	0	210,160	1,574,332	1,574,332	1,905,690
46	0	0	0	0	0	0	217,851	1,558,104	1,558,104	1,913,511
47	0	0	0	0	0	0	217,851	1,548,052	1,548,052	1,929,134
48	0	0	0	0	0	0	217,851	1,544,350	1,544,350	1,952,811
49	0	0	0	0	0	0	217,851	1,546,946	1,546,946	1,984,563
50	0	0	0	0	0	0	217,851	1,555,619	1,555,619	2,024,233
51	0	0	0	0	0	0	217,851	1,569,847	1,569,847	2,071,357
52	0	0	0	0	0	0	217,851	1,600,119	1,600,119	2,029,650
53	0	0	0	0	0	0	217,851	1,651,672	1,651,672	1,996,778
54	0	0	0	0	0	0	217,851	1,731,407	1,731,407	1,978,104
55	0	0	0	0	0	0	217,851	1,847,635	1,847,635	1,980,059
56	0	0	0	0	0	0	217,851	2,007,402	2,007,402	2,007,402
57	0	0	0	0	0	0	217,851	2,197,485	2,197,485	2,197,485
58	0	0	0	0	0	0	217,851	2,421,128	2,421,128	2,421,128
59	0	0	0	0	0	0	217,851	2,681,873	2,681,873	2,681,873
60	0	0	0	0	0	0	217,851	2,983,579	2,983,579	2,983,579
	700,000	420,000	420,000	700,000	280,000	0	6,272,192			

60 Year Summary

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Employer's Cumulative Net Payments	420,000
Executive's Cumulative Net Payments	0
Executive's Cum. A/T Retirement Income	6,272,192
Cash Value	2,983,579
Executive's Death Benefit	2,983,579

Controlled Executive Bonus Plan

Repayment of the Bonus

Background:

A Controlled Executive Bonus Plan is a fringe benefit in which an executive is paid a recurring taxable bonus which is used to purchase a life insurance policy with an emphasis on maximizing cash value accumulation. Subject to the terms of a separate Employment Agreement, the executive is required to repay the bonus under certain circumstances such as voluntary termination of employment by the executive prior to a certain date or event described in the Agreement or termination by the employer for cause.

Question:

Can the executive deduct the repayment if it occurs?

Comments:

The executive may be able to deduct the repayment under IRC Sec. 1341 (computation of tax where taxpayer restores an amount held under a claim of right). If the executive's bonus repayment is not deductible, and a policy loan is used to provide all or part of the funds for the bonus repayment, there is meaningful tax leverage available as tax free cash flow will have been accessed from the policy's tax deferred assets as the source of funds for repayment.

The employer must recognize any amount repaid as income under IRC Sec. 61.

Important Note: This information is for educational purposes only. In all cases, the approval of a client's legal and tax advisers must be secured regarding the implementation or modification of any planning technique as well as the applicability and consequences of new cases, rulings, or legislation upon existing or impending plans.

IRS Circular 230 Disclosure: Any tax advice contained in this document (including any attachments or enclosures) was not intended, or written to be used, and cannot be used by you or any other person or entity for the purpose of avoiding penalties under the Internal Revenue Code.

Executive's Repayment Obligations

Controlled Executive Bonus Plan Using Indexed Universal Life

Executive's Repayment Report Page: 1
Date: [Current date appears here]

Presented By: [Licensed user's name appears here]

Insured: Tom Hamilton
Employer: Acme Ford, LLC
Limited Liability Co

Male Age 40
Indexed UL Interest Rate 7.50%
Initial Death Benefit 2,600,000

Year	Male Age	(1) Bonus Paid to the Executive	(2) Cumulative Bonus Paid to the Executive	(3) % of Bonus Due if Executive Terminates	(4) Amount of Repayment Due by Executive	(5) Executive's Policy Cash Value*	(6) Executive's Net Gain/Loss** (5) - (4)	(7) Executive's Policy Death Benefit †
1	40	100,000	100,000	100.00%	100,000	0	-100,000	2,600,000
2	41	100,000	200,000	100.00%	200,000	46,816	-153,184	2,600,000
3	42	100,000	300,000	100.00%	300,000	111,820	-188,180	2,600,000
4	43	100,000	400,000	100.00%	400,000	180,954	-219,046	2,600,000
5	44	100,000	500,000	100.00%	500,000	254,460	-245,540	2,600,000
6	45	100,000	600,000	100.00%	600,000	333,345	-266,655	2,600,000
7	46	100,000	700,000	100.00%	700,000	418,145	-281,855	2,600,000
8	47	0	700,000	0.00%	0	448,015	448,015	2,600,000
9	48	0	700,000	0.00%	0	480,253	480,253	2,600,000
10	49	0	700,000	0.00%	0	515,003	515,003	2,600,000
11	50	0	700,000	0.00%	0	558,764	558,764	2,600,000
12	51	0	700,000	0.00%	0	598,641	598,641	2,600,000
13	52	0	700,000	0.00%	0	641,344	641,344	2,600,000
14	53	0	700,000	0.00%	0	687,053	687,053	2,600,000
15	54	0	700,000	0.00%	0	735,978	735,978	2,600,000
16	55	0	700,000	0.00%	0	788,301	788,301	2,600,000
17	56	0	700,000	0.00%	0	844,301	844,301	2,600,000
18	57	0	700,000	0.00%	0	904,256	904,256	2,600,000
19	58	0	700,000	0.00%	0	968,465	968,465	2,600,000
20	59	0	700,000	0.00%	0	1,037,257	1,037,257	2,600,000
		700,000						

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** Negatives in Column (6) are in excess of the policy cash value.

† Assumes the executive's death waives the repayment obligation.

Executive's Repayment Obligations

Controlled Executive Bonus Plan Using Indexed Universal Life

Executive's Repayment Report Page: 2
Date: [Current date appears here]

Presented By: [Licensed user's name appears here]

Insured: Tom Hamilton
Employer: Acme Ford, LLC
Limited Liability Co

		Male Age 40	Indexed UL Interest Rate 7.50%	Initial Death Benefit 2,600,000					
Year	Male Age	(1) Bonus Paid to the Executive	(2) Cumulative Bonus Paid to the Executive	(3) % of Bonus Due if Executive Terminates	(4) Amount of Repayment Due by Executive	(5) Executive's Policy Cash Value*	(6) Executive's Net Gain/Loss** (5) - (4)	(7) Executive's Policy Death Benefit †	
21	60	0	700,000	0.00%	0	1,110,954	1,110,954	2,600,000	
22	61	0	700,000	0.00%	0	1,189,901	1,189,901	2,600,000	
23	62	0	700,000	0.00%	0	1,274,444	1,274,444	2,600,000	
24	63	0	700,000	0.00%	0	1,364,986	1,364,986	2,600,000	
25	64	0	700,000	0.00%	0	1,461,970	1,461,970	2,600,000	
26	65	0	700,000	0.00%	0	1,437,552	1,437,552	2,494,700	
27	66	0	700,000	0.00%	0	1,413,168	1,413,168	2,379,201	
28	67	0	700,000	0.00%	0	1,389,143	1,389,143	2,252,823	
29	68	0	700,000	0.00%	0	1,365,881	1,365,881	2,114,848	
30	69	0	700,000	0.00%	0	1,343,907	1,343,907	1,964,513	
31	70	0	700,000	0.00%	0	1,323,875	1,323,875	1,801,013	
32	71	0	700,000	0.00%	0	1,306,610	1,306,610	1,623,493	
33	72	0	700,000	0.00%	0	1,293,119	1,293,119	1,563,947	
34	73	0	700,000	0.00%	0	1,283,713	1,283,713	1,523,201	
35	74	0	700,000	0.00%	0	1,278,238	1,278,238	1,479,889	
36	75	0	700,000	0.00%	0	1,277,553	1,277,553	1,433,713	
37	76	0	700,000	0.00%	0	1,281,572	1,281,572	1,451,047	
38	77	0	700,000	0.00%	0	1,290,967	1,290,967	1,475,041	
39	78	0	700,000	0.00%	0	1,306,469	1,306,469	1,506,524	
40	79	0	700,000	0.00%	0	1,328,874	1,328,874	1,546,400	
			700,000						

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** Negatives in Column (6) are in excess of the policy cash value.

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Executive's Repayment Obligations

Controlled Executive Bonus Plan Using Indexed Universal Life

Executive's Repayment Report Page: 3
Date: [Current date appears here]

Presented By: [Licensed user's name appears here]

Insured: Tom Hamilton
Employer: Acme Ford, LLC
Limited Liability Co

		Male Age 40	Indexed UL Interest Rate 7.50%	Initial Death Benefit 2,600,000				
Year	Male Age	(1) Bonus Paid to the Executive	(2) Cumulative Bonus Paid to the Executive	(3) % of Bonus Due if Executive Terminates	(4) Amount of Repayment Due by Executive	(5) Executive's Policy Cash Value*	(6) Executive's Net Gain/Loss** (5) - (4)	(7) Executive's Policy Death Benefit †
41	80	0	700,000	0.00%	0	1,358,990	1,358,990	1,595,589
42	81	0	700,000	0.00%	0	1,397,653	1,397,653	1,655,043
43	82	0	700,000	0.00%	0	1,445,784	1,445,784	1,725,809
44	83	0	700,000	0.00%	0	1,504,366	1,504,366	1,809,001
45	84	0	700,000	0.00%	0	1,574,332	1,574,332	1,905,690
46	85	0	700,000	0.00%	0	1,558,104	1,558,104	1,913,511
47	86	0	700,000	0.00%	0	1,548,052	1,548,052	1,929,134
48	87	0	700,000	0.00%	0	1,544,350	1,544,350	1,952,811
49	88	0	700,000	0.00%	0	1,546,946	1,546,946	1,984,563
50	89	0	700,000	0.00%	0	1,555,619	1,555,619	2,024,233
51	90	0	700,000	0.00%	0	1,569,847	1,569,847	2,071,357
52	91	0	700,000	0.00%	0	1,600,119	1,600,119	2,029,650
53	92	0	700,000	0.00%	0	1,651,672	1,651,672	1,996,778
54	93	0	700,000	0.00%	0	1,731,407	1,731,407	1,978,104
55	94	0	700,000	0.00%	0	1,847,635	1,847,635	1,980,059
56	95	0	700,000	0.00%	0	2,007,402	2,007,402	2,007,402
57	96	0	700,000	0.00%	0	2,197,485	2,197,485	2,197,485
58	97	0	700,000	0.00%	0	2,421,128	2,421,128	2,421,128
59	98	0	700,000	0.00%	0	2,681,873	2,681,873	2,681,873
60	99	0	700,000	0.00%	0	2,983,579	2,983,579	2,983,579
			700,000					

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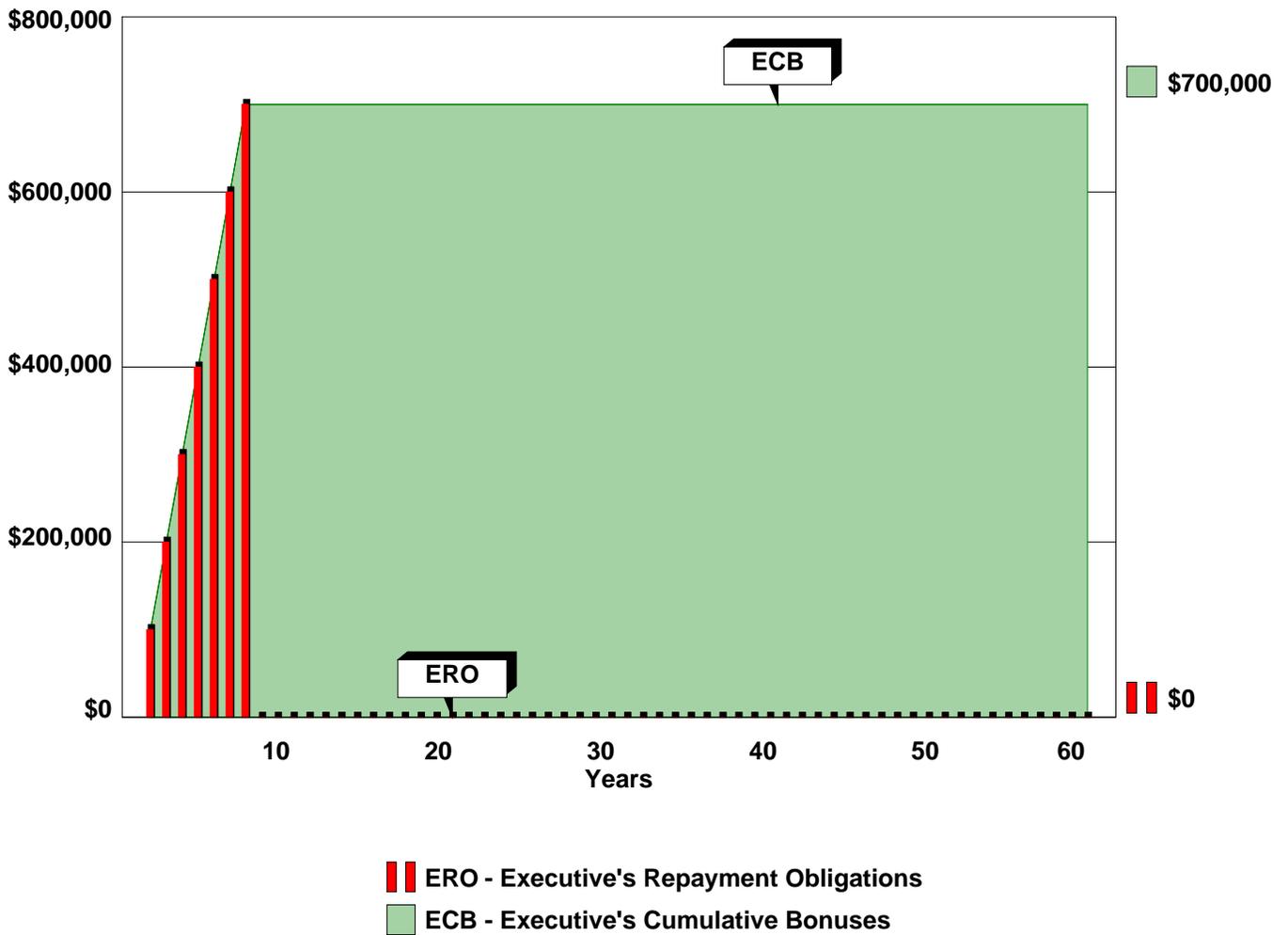
† Assumes the executive's death waives the repayment obligation.

Controlled Executive Bonus Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]
Date: [Current date appears here]

Insured: Tom Hamilton
Employer: Acme Ford, LLC
Limited Liability Co

Executive's 60 Year Graphic Analysis

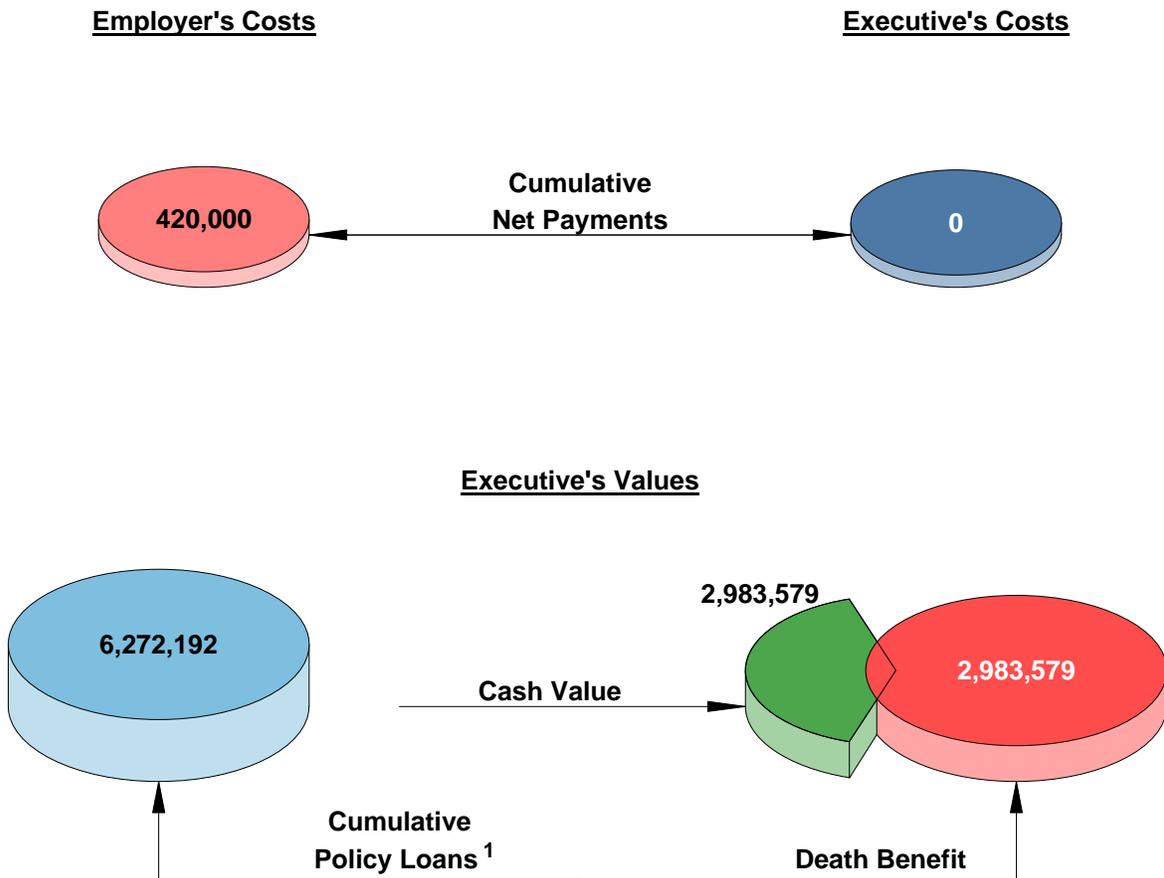


Controlled Executive Bonus Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]
Date: [Current date appears here]

Insured: Tom Hamilton
Employer: Acme Ford, LLC
Limited Liability Co

60th Year Summary Analysis



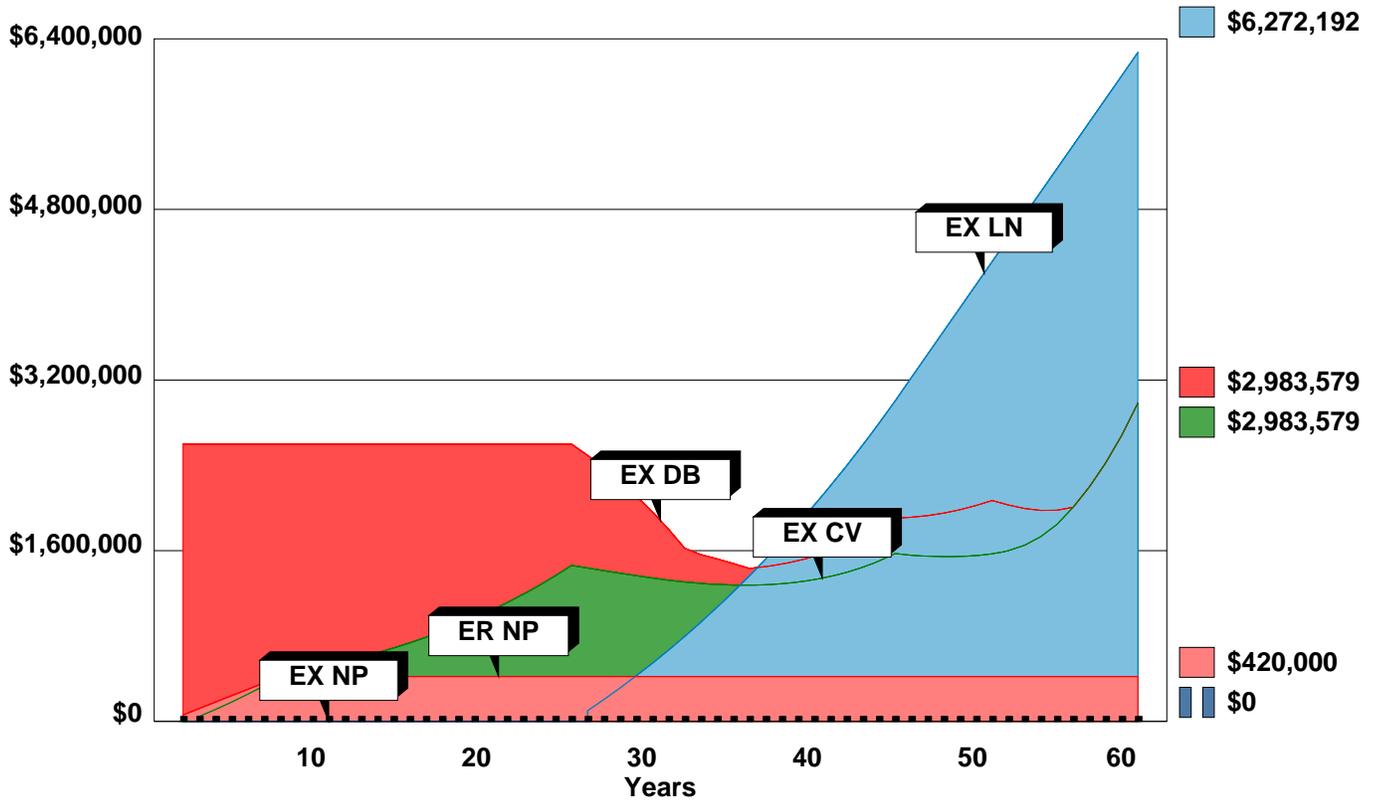
¹ For Retirement Income.

Controlled Executive Bonus Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]
Date: [Current date appears here]

Insured: Tom Hamilton
Employer: Acme Ford, LLC
Limited Liability Co

Consolidated 60 Year Graphic Analysis



- EX NP - Executive's Cumulative Net Payments
- ER NP - Employer's Cumulative Net Payments
- EX LN - Executive's Cumulative Policy Loan Proceeds¹
- EX CV - Executive's Cash Value
- EX DB - Executive's Death Benefit

¹ For Retirement Income.