



News You Can Use

Gloud Insurance

Volume 3, Issue 15
July 2010

Key Employees: A Case For Executive Bonus

Last year was not a particularly good year for presenting executive benefits. Employers were struggling to make payroll, and even key employees were simply trying to hang on to their jobs. This year has seen a significant change in the market.

Key employees are feeling overworked, underappreciated and underpaid and employers know they need to do something about it. As employers start to rebuild their businesses and their fortunes, they are coming to recognize the importance of retaining and rewarding the key employees who kept them afloat during the recession.

The executive benefit market has changed radically following the recession. Other than perhaps on Wall Street, stock options, country club memberships and big bonuses are no longer the way to retain people. Particularly with small- and medium-sized businesses (SMBs), key employees are, like their rank and file counterparts, working to pay tuition, save for retirement and have a contingency plan if something bad happens.

Executive benefits in the SMB market are not a money grab or a greed sale; they are simply a way for employers to help their key employees fill financial gaps. Particularly as a result of the recession, these key employees are returning to the basics: How do I make sure I don't outlive my assets? What can I do to protect my family in the event of a death or disability?

For this group of top performers, the executive bonus concept, funded with life and/or disability income insurance has become the benefit of choice. Executive bonus is a concept long known in the life insurance industry, but in the past was often relegated to being nothing more than a sales technique to sell life insurance.

The idea is simply to bonus the key employee a life insurance policy as a form of compensation. The employer pays the ongoing premium and, in some cases, bonuses the tax on the premium as well. This concept has matured over the years to be a far more sophisticated and flexible executive benefit.

Executive bonus has morphed into allowing both employer and employee contributions and it often involves disability income insurance as well. Where appropriate, underwriting programs such as guaranteed issue or simplified issue may be available to accommodate a large group of highly compensated employees. Executive bonus is now a viable executive benefit for executive pools ranging from one to hundreds of employees.

For owners of these businesses, they realized they need to form an exit plan, often requiring the active involvement of key employees. And, these plans need to be funded. A perfect storm of financial downturn and demographics cry out for a new look at how to incentivize key employees.

Executive bonus helps fill the financial gaps. As employers start to rebuild in this recovering economy, their first order of attention is often on their executives. The top performers can be offered individual life insurance or disability income insurance in the form of an executive bonus. This helps the executive fill gaps in benefits and it provides a motivation to stay with the company.

Making it happen

Utilizing executive bonus as an incentive tool requires understanding by both employer and employee. It is not like a stock option or qualified pension plan where the parties are familiar with the concept. For both life insurance and disability income insurance, the benefit is best explained by graphically demonstrating how the concept works.

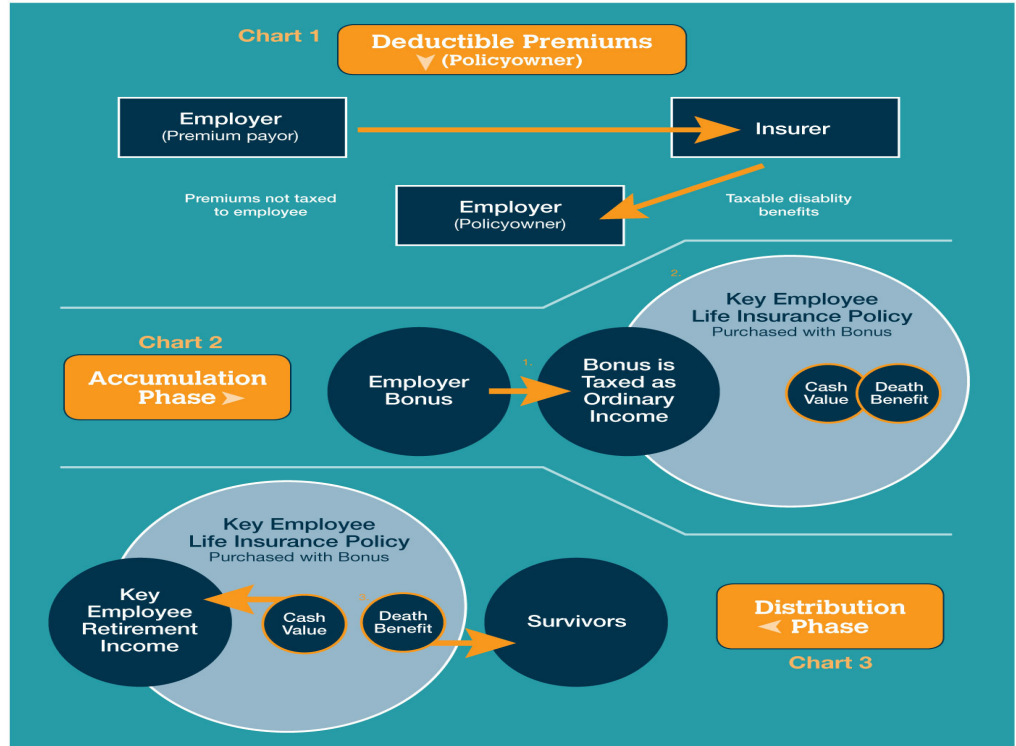
Chart 1 on the next page shows a graphic for how a disability income policy can be structured. Chart 2 shows how a life insurance policy works during the accumulation phase and Chart 3 below shows how it works during the distribution phase. These graphics help explain the underlying mechanics of the executive bonus plan without making the concept feel complex.

Inside this issue:

<i>Executive Bonus Cont.</i>	2
<i>Damages</i>	3
<i>Touring Paris-Branding</i>	3
<i>A Stained, Ragged, Piece of Cloth</i>	3
<i>Free Life Insurance</i>	4



Key Employee Cont.



“Trouble creates a capacity to handle it.” – Oliver Wendell Holmes, Jr.

Compared with other executive benefit plans, an executive bonus plan is simple to adopt. Insurance applications and, if appropriate, a corporate resolution can get the plan going and the employer maintains the plan through ongoing premium payments.

With life insurance, it is important to pay attention to details like proper disclosure and reporting under IRC 101(j). And, if the employer wishes to restrict the executive’s access to the policy and its values for a period of time, an employment agreement and restrictive endorsement are necessary. Working with the right financial representative and insurer, all these details can be easily managed.

Small- and medium-sized businesses are starting to rebuild, and their key employees provide the foundation. An executive bonus plan funded with life and disability income insurance is an ideal solution for retaining and rewarding these key employees.

For more information about this benefit contact our office at 503-526-8685 or email me at: don@nwprotection.com



Our agency specializes in workplace benefits. Give us a call and have one of our specialist show you how you can attract and keep quality employees.

Email us and give feedback on any of the articles and you will be entered in a drawing to receive a \$25 gift card. don@nwprotection.com

Last month’s winner was Stephanie Somanchi

<http://www.lifedesignwithstephanie.com/id4.htm>

Damages

The best written suspense drama on TV is *Damages*. Alfred Hitchcock would be proud because he believed to “always make the audience suffer as much as possible.” You can’t wait until the season finale to see how all the twists and turns tie together, yet you don’t want it to end because it’s so mesmerizing.

How do the writers turn such a twisted plot into a surgically clean ending with all the plot lines tied and sutured? They use the same technique we use in sales for setting goals: start with the end in mind first, then work your way back – step by step – to the beginning. Then start.

Goal setting is easy. But the coveted salespeople are those with a plan that inspires them to continue after starting; who set steps to move them forward; and who make adjustments when needed. They don’t just close deals. They close goals.



Touring Paris In My Red-Hot Ferrari Eating Chocolate Truffles

Ever walk into a store with the intention of just looking and walk out with an expensive purchase? By the time you got to the car you were wondering, “Will I ever wear that?”

Why did you buy it? Blame it on the brain’s release of dopamine – an activity in the brain that increases in anticipation of different types of rewards. Dopamine activates the emotions to override logic. And buying decisions are made with emotions.

When it comes to branding your company, services, and products, find words that release the dopamine. Words that excite the brain like chocolate, ice cream, Paris Ferrari, Powerball, frenzy, and love (Tell me the title of this article didn’t get you a little excited.)

Dopamine makes buyers want to buy. Logic causes them to second guess when they get to the car.



A Stained, Ragged Piece of Cloth

Digging through my great-great-grandfather’s attic to find you a birthday gift, I find a stained, torn, black cloth. Perfect

You open it, puzzled at what it is.

“Nice,” you murmur as you set it aside, “thanks.”

But what if I told you that’s from an old Brooks Brothers overcoat from around the civil War era?

“Wow, Thanks.” You really mean it this time.

I add something else. “That stain is actually blood. That coat was worn by someone who got killed protecting the Union at the time.”

Now the coat has more significance. You really appreciate your gift now.

“Oh, one more thing,” I add. “That’s the lining from President Abraham Lincoln’s coat he was wearing that infamous night at Ford’s Theater.”

That’s what branding does. We took an old ragged piece of cloth and made it invaluable by telling the story behind it. Do you or your company have a story?



Gloud Insurance

10215 SW Park Way
Suite C
Portland, Or 97225
Office: 503-526-8685
Fax: 503-526-0256
Toll Free: 877-526-8686

Insurance For Life



We are on the web at:
www.nwprotection.com

Serving your insurance needs is a privilege and our pleasure!

With nearly 28 years of experience; Gloud Insurance Agency is here to provide one-on-one assistance to individuals and groups in need of personal & financial products and services. We live in your community and understand your insurance needs. Our specialty is Retirement Planning, Long Term Care, Disability, and Life insurance; as well as Auto, Home, Renters, Motorcycle, Boats and other Commercial Property insurance products. We're your partners in Asset Protection; your satisfaction is our goal... Let us help you find the right solution for your insurance needs!

**Call or email don@nwprotection.com
503-526-8685**

Please remember that the information in this publication is intended to be helpful & informative in nature; but not to be relied upon as advice. As with all planning, a comprehensive review & evaluation of your current portfolio is the best way to determine needs. If we can assist you in the process of finding answers and solutions to your own personal and financial strategies, please let us know.

Free Life Insurance

Would you consider talking with me about free life insurance? Would you trade a cup of coffee to educate your kids, pay off all your debts, and pay your bills for five years? Or if I could show you how to have a happy wife, (men hate to buy life insurance, this is where the wives have better instincts) for the price of a cup of coffee, would you be interested in finding out how?

This is my approach to getting people to talk about life insurance. I like term insurance. I believe everyone should own permanent life insurance also, but term allows people to purchase what they need rather than what they can afford. There is a rider for a little more premium that allows the insured to receive 100% of their premium back tax-free. Men like this.

After doing some needs analysis and the need is say \$750,000 and a Return of Premium rate is \$80 per month for 30 years; my conversation would go something like this: "Mr. Smith, if you die, your wife will be able to pay the bills, educate the kids, and pay off all your debts. If you don't die, you will have spent \$27,000. Do you think it's fair that the insurance company keeps your money?" He will say "No." Then you say, "We don't either. If you don't die in 30 years, the insurance company will write you a check for \$27,000. Do you think that's fair?" He will say "Yes!"

He will be happy. She will be happy!

