

Controlled Executive Bonus Plans with Asset-Care[®]

A Controlled Executive Bonus Plan — also known as a Restrictive Executive Bonus or Section 162 plan — is an agreement between an employer and its key employee(s) to provide a death benefit, supplemental income, and with Asset-Care[®], long-term care benefits. These plans are typically funded with cash value life insurance.

The employee applies for and owns the life insurance policy and the employee has the right to designate the beneficiary(ies) of the policy. The company pays the “bonus” premium directly to the insurance company. The employee’s right to receive the cash value of the policy through loans, withdrawals or surrender is restricted during a time period based on age, years of service or other conditions agreed upon by the company and the employee. If the employee terminates employment during this restricted period, the company must agree for the employee to have access to policy cash values. The employer, at that time, may require repayment of some or all of its “bonus” premiums from the policy’s cash value in exchange for its agreement.

A Controlled Executive Bonus Plan has two advantages to the employer:

1. Pay key employee(s) a bonus in the form of a life insurance premium.
2. Can take a current deduction for the bonus.

Benefits of a Controlled Executive Bonus Plan

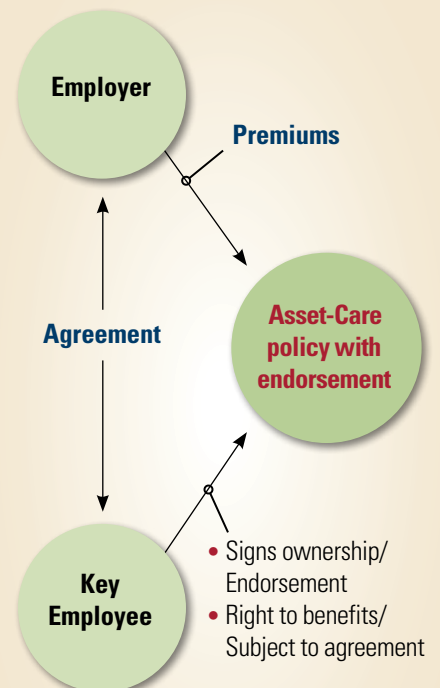
For the employer:

- Can select which key employees can participate.
- No mandatory eligibility and participation rules.
- No IRS restrictions or approval.
- No government forms or reports, minimal administration.
- “Bonus” premiums are tax-deductible.
- Recruit, reward and retain key employees using “golden handcuffs”.

For key employees:

- Income-tax free benefits paid to surviving family at death.
- Permanent life insurance protection.
- Long-term care benefits available.
- Tax-deferred growth of policy cash values.
- Income-tax free death benefits.
- Although the employee must report the life insurance premiums paid each year as taxable compensation, impact of this can be minimized by the employer providing a cash bonus to the employee sufficient enough to cover both the premiums and income taxes due.
- Unrestricted ownership of policy and its values after the restricted period ends.

Illustration of how a Controlled Executive Bonus Plan can work



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The endorsement is executed by the employer and employee and filed with the insurance company. For a specified period of time agreed to by the employer and the employee, the endorsement restricts some of the employee's ownership rights in the policy. During the restricted period, the endorsement restricts the right of the employee to surrender the policy, take withdrawals from the policy, assign the policy as collateral, change ownership or make a policy loan, unless the employer also agrees. The restrictive endorsement is typically designed to expire at a defined point, usually between 5–15 years.

About State Life

The State Life Insurance Company, a OneAmerica® company, is focused on providing asset-based long-term care solutions. State Life is a recognized leader in providing these solutions, which utilize life insurance, fixed-interest deferred and immediate annuities. The company's extensive Care Solutions portfolio of products helps consumers build a secure future by creating, leveraging and protecting their assets.

About OneAmerica

OneAmerica Financial Partners, Inc., is headquartered in Indianapolis, IN. The companies of OneAmerica® can trace their solid foundations back more than 130 years in the insurance and financial services marketplace.

OneAmerica's nationwide network of companies offers a variety of products to serve the financial needs of their policyholders and other clients. These products include retirement plans, products and services; individual life insurance, annuities, long-term care solutions and employee benefits. The goal of OneAmerica is to blend the strengths of each company to achieve greater collective results.

The products of the OneAmerica companies are distributed through a network of employees, agents, brokers and other distribution sources that are committed to maximizing value to our policyholders by helping them plan to meet their financial goals.

We deliver on our promises when customers need us most.

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