Principal®

Overview | Principal® Bonus (Tax Exempt)

A bonus that does so much more

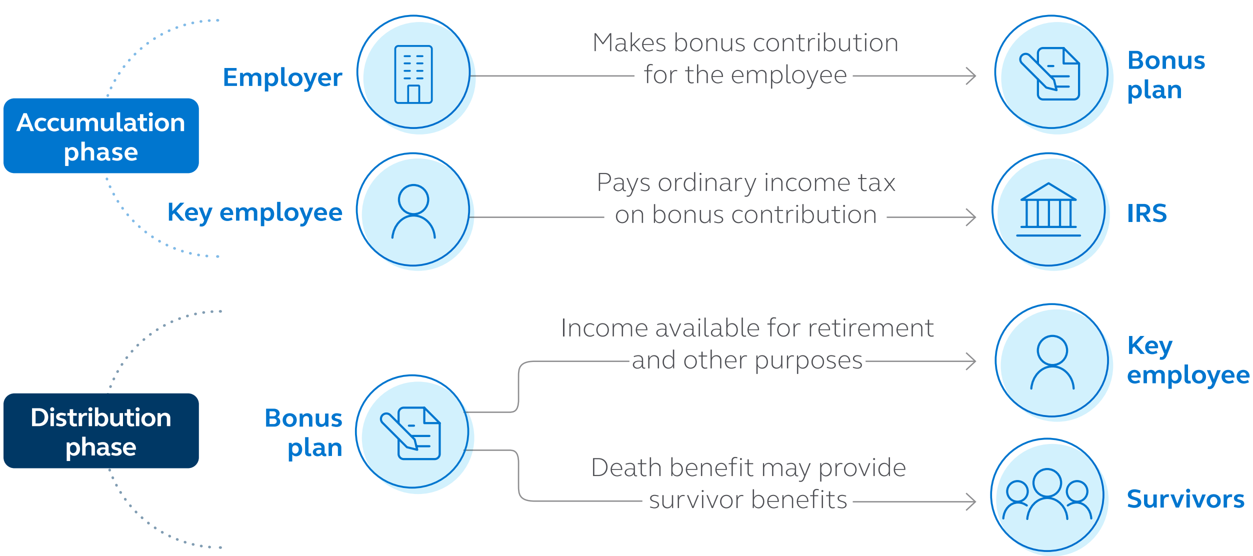
Offer a retirement benefit that helps you recruit, reward, and keep your top talent.

You're focused on running a successful business, which includes hiring and keeping top employees. Your organization depends on it. So what can you do today—that's simple and effective—to recognize your key employees and give them another reason to stay with you?

Take a close look at this incentive plan for tax-exempt organizations that offers your key employees multiple benefits. It helps your top talent increase their savings for the future, while helping you reward and keep them for the long term.

Here's how it works

Typically, the bonus you contribute to the plan for select key employees is used to buy a life insurance policy[1] from Principal®. This policy funds the plan and provides retirement income, death benefit protection, as well as additional living benefits.



- Employer offers an incentive bonus benefit to key employees.
- Employer submits the bonus contribution to pay premiums on a life insurance policy.[1]
- Key employee owns the life insurance policy and may receive the cash value and survivor benefits, but also pays income tax on any bonus contributions made to the plan.

What you need to know

There are many advantages to this plan, just as there are some things to consider.

For you

Increase morale. It's an effective way to recruit, reward, retain, and retire the employees who are most valuable to your organization.

Enjoy simplicity. Avoid complexities and legislative impact of 457 plans.

Communicate easily. The simple and flexible plan design is easy to communicate and maintain.

Save time. You won't have annual reporting or Employee Retirement Income Security Act (ERISA) requirements to complete.

Impact cash flow. Bonuses you pay reduce the organization's cash flow.

Add some control. While the key employee owns the policy, you can add a restrictive agreement that would require them to get your consent before withdrawing assets during a specified period.

Add a vesting schedule. If the key employee leaves the company before meeting the service requirement, you can include an agreement that requires them to repay any bonuses received.

For your key employees

Save more. Additional money can be saved for retirement; above the limits of a qualified plan, such as a 401(k) or 403(b).

Receive multiple benefits. Distributions may be used for planned events, such as supplementing retirement income, funding a child's education, or purchasing a second home. The plan can also provide access to funds to address unplanned events—such as disability, chronic illness, and other financial needs.

Help enhance financial security. The employee's family may receive tax-free benefits at the employee's death.

Own the policy. The key employee owns the life insurance policy[1], but must stay with the organization to be eligible for the bonus.

Pay potential taxes. An additional tax may be due if the employer bonus doesn't cover all of the income tax. However, the tax on the bonus may be partially or fully offset with another employer bonus.

You want to offer key employees benefits they value—and those that will have a positive impact on them and your business. This plan can provide key employees with a retirement benefit, while helping you recruit and keep your top talent. Plus, you can trust the service and expertise we'll provide to you and your key employees every step of the way, year after year.

Learn more | Contact your financial professional today.

[1] Additional financing options may be available.

[2] Due to the flow-through tax treatment of some businesses, such as S corporations and limited liability corporations (LLCs), you may want to consider specific plans designed to benefit the owners of these entities.

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