

ADVISOR TRAINING

Stay Bonus Strategy



A Stay Bonus can make it worthwhile for select employees to continue to work for a business when it's time for the next generation to take over.

Many small business owners dream of leaving the family business to one or more of their children when they die. And at the same time, they worry that the business won't be able to survive without them.

There's reason for concern. If a son or daughter does take over the business, they're going to need support during a transition period – at least for a while. How will the existing employees feel about that? Will they stay on to help?

A Stay Bonus Strategy can help ensure that key employees stick with the business through the transition.



How the Stay Bonus Strategy Works

Income AdvantageSM IUL provides a solution to this business succession dilemma – one that can serve the family's needs, whether the business owner lives to see the transition of her business, or not.

It's a simple concept.

- ▶ The business agrees to increase select employees' compensation by 25, 35 or 50 percent for a specified period of time – perhaps a year or two – after the business owner's death
- ▶ In return, the select employees agree to stay and work for the next generation during the transition period
- ▶ The business owner buys and pays the premiums for an Indexed Universal Life Insurance policy, which provides both protection and growth potential for the future
- ▶ By paying the life insurance premiums, the business owner is leveraging dollars for a substantially larger death benefit amount and, in effect, prefunding the additional salary amounts promised at the owner's death. This helps eliminate additional pressure on the business' cash flow at a critical time
- ▶ When the business owner dies, the business can use the death benefit to satisfy the Stay Bonus arrangement
- ▶ If the business owner doesn't die before the children are ready to take over, Income AdvantageSM IUL can generate significant cash values to supplement retirement income and for other needs

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