Executive Benefits Evaluator

A Tool for Helping Business-Owners Select Benefits to Recruit, Reward, and Retain Key Employees

Qualified plan income limitations can prevent employers from providing adequate retirement benefits for their key employees. As a result, employers look to alternative methods to reward their most productive and valued key executives.

Alternatives to the traditional compensation strategies can provide flexible options for employers that want to reward and retain key executives.

Overview

The *Executive Benefits Evaluator* is a tool designed to help employers choose from various nonqualified arrangements that can be used to provide supplemental retirement benefits for key executives.

Using the *Executive Benefits Evaluator,* employers select nonqualified plan designs based on the type of business entity involved and whether the benefit is being offered to an owner-employee or a non-owner employee. Additional benefit options are available for nonprofit and tax-exempt organizations.

Depending on the type of business, the *Executive Benefits Evaluator* allows clients to choose from the following plan designs:

- NQDC/SERP (§ 409A Arrangements)
- Split Dollar Loans
- Split Dollar Loans with a Rollout (Split Dollar Loan/§ 409A Combo)
- Executive Bonus (§ 162) Plans
- Restricted Executive Bonus Arrangements (REBAs)
- Business Owner's Bonus Plan
- § 419 Post-Retirement Medical Benefits
- § 457(f) Plans
- Endorsement Split Dollar
- Survivor Income Death Benefit Only (DBO) Plans

A summary of each of these plan designs can be found in Appendix A.

Use this tool to help select a plan design that can be used to recruit, retain, and reward key employees of your business. The *Executive Benefits Evaluator* was developed to help you identify and prioritize a variety of objectives to help best select plan designs for your business.

Your own legal and tax advisors should be consulted before you make any decisions regarding plan design to determine (1) the suitability of a particular planning alternative, and (2) the precise legal, tax, investment, and accounting consequences of that alternative. No legal, tax, accounting, or investment advice is being provided through this *Executive Benefits Evaluator* and neither this presentation nor any other oral or written communications shall be construed as such.

Instructions

Selecting an appropriate Executive Benefits strategy will depend on a number of factors, including what type of business entity is involved, whether the benefits are being offered to owner-employees or non-owner employees, and what features are most important to you (deductibility of contributions, tax deferral, flexibility, etc.).

Begin by answering the questions below and proceed to the section indicated by your answers.

Question 1: What type of business entity is the employer?

☐ S Corporation	proceed to **Question 2**
☐ LLC	proceed to **Question 2**
☐ Partnership	proceed to **Question 2**
☐ Sole Proprietorship	proceed to **Question 2**
☐ C Corporation	proceed to **Executive Benefits Worksheet** (Page 3)
☐ Nonprofit / Tax-Exempt	proceed to **Nonprofits Worksheet** (Page 5)

Question 2: Who will receive the benefit?

☐ Owner-Employee	proceed to **Business Owner's Bonus Plan** (Page 7)
☐ Non-Owner Employee	proceed to **Executive Benefits Worksheet** (Page 3)

Executive Benefits Worksheet

For each factor on the Worksheet, circle the number corresponding with your interest level for that consideration. For example, if you have a high interest in "Current deduction for employer," circle “1” for the first factor on this Worksheet.

For a more detailed explanation of each factor, turn to Appendix B.

	High	Medium	Low
Current deduction for employer	1	2	3
Ability to offer benefit selectively (i.e., ability to discriminate)	1	2	3
“Golden handcuffing”	1	2	3
Cost recovery for employer	1	2	3
Simple administration	1	2	3
Provide retirement benefit to executive	1	2	3
Provide post-retirement medical or long term care benefits	1	2	3
Defer income taxation to executive	1	2	3
Benefits received income tax free	1	2	3
Avoid exposure of asset to employer’s creditors	1	2	3
Flexibility to change plan (i.e., timing of payments and income v. death benefits)	1	2	3

Executive Benefits Matrix

Circle each number in the benefit design column that matches the number circled on the worksheet. For example, if you circled “1” for “Current deduction for employer,” you would circle the “1” under the “§ 162 Bonus,” “REBA,” and the “§ 419 Plan” columns for the first factor.

After circling all of the matching numbers, count the circles in each benefit design column. Those designs with the highest number of circles are arrangements you may want to consider for your business.

	Enter Number Circled on Page 3	NQDC/ SERP	Split Dollar Loans	Split Dollar Rollout	§ 162 Bonus	REBA	§ 419 Plan	Endors. Split Dollar	Surv. Income DBO
Current deduction for employer		3	3	3	1	1	1	3	3
Ability to offer benefit selectively (i.e., ability to discriminate)		1	1	1	1	1	3	1	1
“Golden handcuffing”		1	3	1	3	1	1	3	3
Cost recovery for employer		1	1	3	3	3	3	2	2
Simple administration		3	3	3	1	1	3	1	1
Provide retirement benefit		1	1	1	1	1	2	3	3
Provide post-retirement medical or long term care benefits		3	3	3	3	3	1	3	3
Defer income taxation		1	3	3	3	3	1	3	1
Benefits received income tax free		3	1	1	1	1	1	1	3
Avoid exposure of asset to employer’s creditors		3	1	1	1	1	1	3	3
Flexibility to change plan		3	1	1	1	1	3	3	3
Total Number of Circles:									

Nonprofits Worksheet

For each factor on the Worksheet, circle the number corresponding with your interest level for that consideration. For example, if you have a high interest in "Golden handcuffing," circle “1” for the first factor on this Worksheet.

For a more detailed explanation of each factor, turn to Appendix C.

	High	Medium	Low
“Golden handcuffing”	1	2	3
Cost recovery for employer	1	2	3
Simple administration	1	2	3
Provide retirement benefit to executive	1	2	3
Defer income taxation to executive	1	2	3
Benefits received income tax free	1	2	3
Avoid “substantial risk of forfeiture” rules	1	2	3
Flexibility to change plan (i.e., timing of payments and income v. death benefits)	1	2	3

Nonprofits Matrix

Circle each number in the benefit design column that matches the number circled on the worksheet. For example, if you circled “1” for “Golden handcuffing,” you would circle the “1” under the “§ 457(f) Plan,” “Split Dollar Loans w/Rollout,” and “REBA” columns for the first factor.

After circling all of the matching numbers, count the circles in each benefit design column. Those designs with the highest number of circles are arrangements that you may want to present to your client.

	Enter Number Circled on Page 5	§ 457 (f) Plan	Split Dollar Loans	Split Dollar Loans w/Rollout	§ 162 Bonus	REBA	Endors. Split Dollar	Surv. Income DBO
“Golden handcuffing”		1	3	1	3	1	3	3
Cost recovery		1	1	3	3	3	2	2
Simple administration		3	3	3	1	1	1	1
Provide retirement benefit		1	1	1	1	1	3	3
Defer income taxation		1	3	3	3	3	3	1
Benefits received income tax free		3	1	1	1	1	1	3
Avoid “substantial risk of forfeiture”		3	1	2	1	1	3	3
Flexibility to change plan		3	1	1	1	1	3	3
Total Number of Circles:								

Business Owner's Bonus Plan

The Business Owner's Bonus Plan is designed to help small business owners create a tax efficient source of supplemental retirement income.

Business owners are presented with extra challenges when saving for retirement. If the business is structured as a "pass through" entity (i.e., an S corporation, LLC, partnership, or sole proprietorship), the business owner may be unable to take advantage of tax-deferred retirement savings through nonqualified plans. Further, business owners may need to provide additional funds at death to maintain the business in their absence or to provide for the needs of family and loved ones.

The Business Owner's Bonus Plan uses life insurance purchased with after-tax funds to provide both death benefit protection and potential cash value accumulation to help the business owner supplement his or her retirement income.

How It Works

1. The business owner purchases and will be the owner of a cash value life insurance policy while the business pays the premium. The premium payments will be treated as ordinary income to the business owner and will be a deductible expense to the business (assuming the business owner's total compensation is reasonable under IRC § 162).

2. At retirement, the policy cash values are available on a tax-preferred basis to supplement the business owner's retirement income and the policy death benefit will be paid income tax-free to the owner's beneficiaries.

Key Benefits

The Business Owner's Bonus Plan offers business owners the following potential benefits:

- **Income Tax-Free Death Benefit**[1] – Income tax-free death benefits help the business owner's beneficiaries remain financially secure.

- **Tax-Deferred Growth** – No income tax is payable while money is accumulating inside the life insurance policy.

- **Tax-Free Income** – Provided the life insurance policy is not structured as a modified endowment contract ("MEC"), the business owner will be able to attain tax-free income through a combination of policy withdrawals and loans. Income tax-free distributions are achieved by withdrawing up to the cost basis, then using policy loans. Loans and withdrawals may generate an income tax liability, reduce available cash value and reduce the death benefit or cause the policy to lapse. This assumes the policy qualifies as life insurance and is not a modified endowment contract.

- **Flexible Contributions** – There is no required schedule for contributions to the Business Owner's Bonus Plan. Premiums can be designed to meet the changing needs of the business owner. After the first policy year, the business owner has the option of changing both the timing and the amount of contributions to the Business Owner's Bonus Plan.

- **Selective Benefit** – The Business Owner's Bonus Plan can be offered on a selective basis; to the business owner(s) alone. Unlike qualified retirement plans, there is no requirement that the Business Owner's Bonus Plan be available on a nondiscriminatory basis.

- **No IRS Distribution Requirements or Penalties** – Distributions from the Business Owner's Bonus Plan can occur before age 59 ½ without a premature distribution penalty from the IRS, and there are no required minimum distributions at age 70 ½ or thereafter.

[1] Proceeds from a life insurance policy are generally income tax-free, and if properly structured, may also be free from estate tax.

Appendix A

Summary of Plan Designs

§ 419 Plan

A section 419 Plan is a promise by an employer to provide reimbursement, up to a certain amount, for medical or long term care benefits incurred by the executive during retirement. Additionally, the arrangement may provide a post-retirement death benefit for the executive's beneficiaries of up to $50K (in which case the executive will be taxed annually on the "economic benefit" for life insurance coverage). The promised benefits are funded by contributions made to a trust. A portion of such contributions may be deductible from the employer's gross income if the arrangement complies with the requirements of IRC §§ 419 & 419A. Typically, the plan administrator (the Trustee) will purchase a life insurance policy to provide funds when needed. So long as the benefits are restricted to eligible medical benefits under IRC § 105(b), the reimbursements will be income tax-free to the executive. Business owners should be aware that these plans must provide benefits in a non-discriminatory manner and must exist primarily for the benefit of employees, as opposed to shareholders. Business owners should also be aware that the IRS may subject such plans to additional regulations that may apply retroactively.

§ 457(f) Plan

A § 457(f) Plan is a nonqualified deferred compensation arrangement for nonprofit and tax-exempt organizations which provides tax deferral on unlimited contributions for executives willing to subject benefits to a "substantial risk of forfeiture." Because § 457(f) requires that deferred compensation be subject to a substantial risk of forfeiture, these plans typically provide a lump sum benefit that both vests and is paid out at retirement age. These plans are subject to IRC §409A.

Business Owner's Bonus Plan

A Business Owner's Bonus Plan is an arrangement where an employer makes premium payments on a cash value life insurance policy owned by one or more of the business owners. The business owner can use the policy's cash value as a potential source of supplemental retirement income (through policy loans and withdrawals), as a source of survivorship benefits for his or her family, or both. Policy loans and withdrawals may generate an income tax liability, reduce available cash value and reduce the death benefit or cause the policy to lapse.

Endorsement Split Dollar

An endorsement split dollar plan is an arrangement where an employer allocates to an executive the right to designate the beneficiary of a portion of the death benefits of a life insurance policy owned and paid for by the employer. The employer pays all of the premiums on the life insurance policy and uses a policy endorsement form to endorse an identified portion of the death benefit to the executive. The executive is taxed annually on the "economic benefit" of having life insurance coverage and the death benefits, when paid, are income tax-free to the executive's designated beneficiaries.

Executive Bonus (§ 162 Bonus) Plan

An Executive Bonus (§ 162) Plan is an arrangement where an employer makes premium payments on a cash value life insurance policy owned by an executive. While the executive must recognize the premium payments as ordinary income, the executive can use the policy's cash value as a potential source of supplemental retirement income (through policy loans and withdrawals), as a source of survivorship benefits for his or her family, or both. Policy loans and withdrawals may generate an income tax liability, reduce available cash value and reduce the death benefit or cause the policy to lapse.

NQDC & SERP Arrangements

NQDC and SERP arrangements are nonqualified arrangements where an employer promises to pay an executive a future benefit. The benefit may be structured as a single payment or as a series of payments which typically commence at the executive's retirement or upon the executive's death. Nonqualified deferred compensation (NQDC or defined contribution) arrangements promise a benefit based on the amount of money contributed to the arrangement and an assumed growth rate. Supplemental executive retirement plans (SERPs or defined benefit) promise a benefit amount based on years of service, reaching retirement age, or at death. In both types of arrangements, the executive does not pay income taxes until the benefits are paid out. Businesses will typically purchase a life insurance policy to provide funds that will be needed to pay the promised benefits. These plans are subject to the requirements of IRC § 409A.

Restricted Executive Bonus Arrangement (REBA)

A restricted executive bonus arrangement ("REBA") is an arrangement where an employer makes premium payments on a cash value life insurance policy owned by an executive and the parties also enter into a supplemental employment agreement spelling out the terms and conditions that motivate the executive to remain with the employer for an agreed upon period of time. While the executive must recognize the premium payments as ordinary income, after expiration of the restrictive policy rights the executive can use the policy as a potential source of supplemental retirement income (through policy loans and withdrawals), as a source of survivorship benefits for his or her family, or both. Policy loans and withdrawals may generate an income tax liability, reduce available cash value and reduce the death benefit or cause the policy to lapse.

Split Dollar Loan Arrangements

A split dollar loan is an arrangement where an employer helps to provide an executive with retirement and death benefits by providing the funding for the ownership of a life insurance policy. The employer pays premiums on a life insurance policy owned by the executive, but retains a collateral assignment interest in the policy equal to the sum of the premiums it has advanced. The premium advances are treated by the IRS as loans and the executive pays taxes on the interest that is "imputed" on the loans. At retirement, the executive may withdraw any available cash value from the life insurance policy to reimburse the employer for premiums paid. The remaining cash value is available to the executive as a source of supplemental retirement income through policy loans and withdrawals. Policy loans and withdrawals may generate an income tax liability, reduce available cash value and reduce the death benefit or cause the policy to lapse.

Split Dollar Loan Arrangement with a Rollout (Split Dollar Loan/§ 409A Combo)

A split dollar loan is an arrangement where an employer helps to provide an executive with supplemental retirement and death benefits by providing the funding for the ownership of a life insurance policy. The employer pays premiums on a life insurance policy owned by the executive, but retains a collateral assignment interest in the policy equal to the sum of the premiums it has advanced. The premium advances are treated by the IRS as loans and the executive pays taxes on the interest that is "imputed" on the loans. Additionally, the employer can promise a benefit at retirement that would extinguish the executive's obligation to reimburse the employer for premiums paid. This additional benefit would be considered a separate arrangement subject to the requirements of § 409A, and should not, if properly structured, also subject the split-dollar loan to §409A. The executive would treat the bonus for repayment of the premium loans as taxable income.

Survivor Income Death Benefit Only (DBO) Arrangement

A survivor income death benefit only ("survivor income DBO") plan is a promise by an employer to provide a benefit to a participant's designated beneficiary in the event of the participant's death. The promise is unfunded for ERISA purposes in the sense that the benefit cannot be tied to a certain asset. Typically, however, an employer will purchase a life insurance policy to provide funds when needed. The employer pays all costs of the insurance and holds the policy as part of its general assets with no interest in the policy endorsed or assigned to the employee. While the executive pays no income taxes during participation in the plan, the benefits paid from a survivor income DBO arrangement are fully taxable as income in respect of a decedent (IRD) to the participant's beneficiaries.

Appendix B

Factors for Executive Benefits Worksheet

The following factors are used in the *Evaluator* to help in the selection of an Executive Benefits plan design:

Current Deduction

Some nonqualified plans (such as bonus arrangements and REBAs) allow employers to take a current deduction for payments made to the executive. Such arrangements, however, do not typically allow the executive to defer recognition of income. Consequently, parties to nonqualified plans often must decide whether executive tax deferral or employer deductions are more important to the plan design.

Plans which provide Current Deduction: *Executive Bonus Plans, REBAs, and § 419 Plans.*

Ability to Discriminate

Some plan designs are subject to the requirements of ERISA, including the requirement that such benefits be offered on a non-discriminatory basis (i.e., that the plan is offered to all full-time employees). This question asks whether it is important to the employer to be able to offer the benefit just to executives that the employer selects (i.e., is it important to the employer to be able to discriminate in offering this benefit).

Plans which permit Discrimination: *NQDC/SERP Arrangements, Split Dollar Loans, Split Dollar Loan w/Rollout, Executive Bonus, REBAs, Endorsement Split Dollar, and Survivor Income DBO Arrangements.*

"Golden Handcuffing"

One of the primary reasons for employers to implement nonqualified plans is to provide incentives that will help retain key executives. Where a benefit is tied directly to a requirement that the executive continue working for the employer, the arrangement is said to have "Golden Handcuffs."

Plans which provide "Golden Handcuffs": *NQDC/SERP Arrangements, Split Dollar Loan w/Rollout, REBAs, and § 419 Plans.*

Cost Recovery

Some employers will not consider making contributions to nonqualified plans unless there is a way to get some or all of their money back. Nonqualified plans such as SERPs, NQDC arrangements, and split dollar arrangements can be designed so that a portion of the death benefit from the life insurance policy used to fund the arrangement can be paid to the employer thus allowing for cost recovery.

Plans which provide Cost Recovery: *NQDC/SERP Arrangements and Split Dollar Loans.*

Simple Administration

Nonqualified plans such as SERPs and NQDC arrangements can require significant plan administration (maybe even requiring a third-party administrator). Other nonqualified plans, such as split dollar arrangements, bonus arrangements, and REBAs, require little or no plan administration.

Plans which provide Simple Administration: *Executive Bonus Plans, REBAs, Endorsement Split Dollar, and Survivor Income DBO Plans.*

Provide Supplemental Retirement Benefit

While some Executive Benefits plan designs provide only death benefits, this factor asks whether retirement income is an important component for the benefit design.

Plans which provide Supplemental Retirement Benefits: *NQDC/SERP Arrangements, Split Dollar Loans, Split Dollar Loan w/Rollout, Executive Bonus Plans, and REBAs.*

Post-Retirement Medical Benefits

During retirement, increases in health care costs and medical expenses can negatively impact a retired employee's spendable income and net worth. The business may be able to establish a plan to pay some of these costs for eligible retired employees. This question asks whether providing post-retirement medical benefits is important to the business owner.

Plans which provide Post-Retirement Medical Benefits: *§419 Plans.*

Defer Income Taxation

Sometimes the primary reason for implementing a nonqualified plan is to allow executives to defer taxation on income until the money is actually needed (i.e., not pay taxes on a benefit until retirement). While some nonqualified plans (such as SERPs and NQDC arrangements) allow for income tax deferral, this is not true for all nonqualified plans.

Plans which provide Tax Deferral: *NQDC/SERP Arrangements and § 419 Plans.*

Tax-Free Distributions

While some nonqualified plans provide for tax deferral, others provide the possibility of taking tax-free distributions during retirement or at death. This factor asks the parties to consider whether tax-free distributions in retirement may be as important, or more important, than the opportunity for tax deferral during employment. Income tax-free distributions are achieved by withdrawing to the cost basis (premiums paid) then using policy loans. Loans and withdrawals may generate an income tax liability, reduce available cash value and reduce the death benefit or cause the policy to lapse. This assumes the policy qualifies as life insurance and is not a modified endowment contract.

Plans which provide Income Tax-Free Benefits: *Split Dollar Loans, Split Dollar Loan w/Rollout, Executive Bonus Plans, REBAs, and Endorsement Split Dollar.*

Employer's Creditors

Nonqualified plans must be "un-funded" if the arrangement is to provide income tax deferral for the executive. This means that any assets used to help finance obligations under such arrangements must be part of the employer's general assets and that the executive can have no claim on the funding asset greater than that of a general creditor. Consequently, nonqualified plans which provide tax deferral often expose the funding asset to claims of creditors of the employer.

Plans which do not expose funding asset to Employer's Creditors: *Split Dollar Loans, Split Dollar Loan w/Rollout, Executive Bonus Plans, REBAs, and § 419 Plans.*

Flexibility

Due to the rules imposed under the new IRC § 409A, some nonqualified plans must be essentially fixed from inception. SERPs and NQDC arrangements must have a pre-determined payment schedule to comply with § 409A. Other nonqualified plans (such as split dollar, bonus arrangements and REBAs) allow the executive to flexibly determine whether or when to take distributions.

Plans which provide Flexibility: *Split Dollar Loans, Split Dollar Loan w/Rollout, Executive Bonus Plans, and REBAs.*[2]

[2] Although there is no express exclusion under §409A for a REBA, a REBA should not be considered a plan providing for a "deferral of compensation" under 1.409A-1(b)(1), since, arguably, the compensation is not "payable in a later year" (notwithstanding the restrictive endorsement) since the taxpayer is taxed on the compensation in the year of receipt. Moreover, a REBA in economic substance resembles a §83 transfer of property with an §83(b) election. §83(b) transfers are excluded from the meaning of 1.409A1-(b)(1).

Appendix C

Factors for Nonprofits Benefits

The following factors are used in the *Executive Benefits Evaluator* to help in the selection of benefits for nonprofit and tax-exempt organizations:

"Golden Handcuffing"

One of the primary reasons for employers to implement nonqualified plans is to provide incentives that will help retain key executives. Where a benefit is tied directly to a requirement that the executive continue working for the employer, the arrangement is said to have "Golden Handcuffs."

Plans which provide "Golden Handcuffs": *§ 457(f) Plans, Split Dollar Loan w/Rollout, and REBAs.*

Cost Recovery

Some employers will not consider making contributions to nonqualified plans unless there is a way to get some or all of their money back. Nonqualified plans such as § 457(f) plans and split dollar loans can be designed so that a portion of the death benefit from the life insurance policy used to fund the arrangement can be paid to the employer thus allowing for cost recovery.

Plans which provide Cost Recovery: *§ 457(f) Plans and Split Dollar Loans.*

Simple Administration

Nonqualified plans such as § 457(f) plans can require significant plan administration (maybe even requiring a third-party administrator). Other nonqualified plans, such as split dollar arrangements, bonus arrangements, and REBAs, require little or no plan administration.

Plans which provide Simple Administration: *Executive Bonus Plans, REBAs, Endorsement Split Dollar, and Survivor Income DBO Plans.*

Provide Supplemental Retirement Benefit

While some Executive Benefits plan designs provide only death benefits, this factor asks whether retirement income is an important component for the benefit design.

Plans which provide Supplemental Retirement Benefits: *§ 457(f) Plans, Split Dollar Loans, Split Dollar Loan w/Rollout, Executive Bonus Plans, and REBAs.*

Defer Income Taxation

Sometimes the primary reason for implementing a nonqualified plan is to allow executives to defer taxation on income until the money is actually needed (i.e., not pay taxes on a benefit until retirement). While some nonqualified plans (such as § 457(f) plans) allow for income tax deferral, this is not true for all nonqualified plans.

Plans which provide Tax Deferral: *§ 457(f) Plans.*

Tax-Free Distributions

While some nonqualified plans provide for tax deferral, others provide the possibility of taking tax-free distributions during retirement or at death. This factor asks the parties to consider whether tax-free distributions in retirement may be as important, or more important, than the opportunity for tax deferral during employment. Income tax-free distributions are achieved by withdrawing to the cost basis (premiums paid) then using policy loans. Loans and withdrawals may generate an income tax liability, reduce available cash value and reduce the death benefit or cause the policy to lapse. This assumes the policy qualifies as life insurance and is not a modified endowment contract.

Plans which provide Income Tax-Free Benefits: *Split Dollar Loans, Split Dollar Loan w/Rollout, Executive Bonus Plans, REBAs, and Endorsement Split Dollar.*

Substantial Risk of Forfeiture

Nonqualified plans providing tax-deferred benefits for executives of nonprofit organizations are subject to the rules of § 457(f). Under § 457, such benefits must be subject to a "substantial risk of forfeiture." According to § 457(f)(3)(B), a benefit is "subject to a substantial risk of forfeiture if such person's rights to such compensation are conditioned upon the future performance of substantial services by any individual." In practical terms this means that tax deferral is available to executives and directors of nonprofit organizations only where the benefit does not vest until it is paid out and the benefit will be taxed as a lump sum.

Plans which avoid "Substantial Risk of Forfeiture": *Split Dollar Loans, Executive Bonus Plans, and REBAs.*

Flexibility

Due to the substantial risk of forfeiture rules, § 457(f) plans can only provide benefits which will not vest prior to the date the benefit is to be paid and the benefit will be taxed as a lump sum. Other nonqualified plans (such as split dollar, bonus arrangements, and REBAs) allow the executive to flexibly determine whether or when to take distributions.

Plans which provide Flexibility: *Split Dollar Loans, Split Dollar Loan w/Rollout, Executive Bonus Plans, and REBAs.*