REBA Provides Freedom From Corporate Creditors

Do you have small to medium sized business prospects that would like to provide an incentive benefit to their key executives? Would they also like to bind these executives to the company? In today's business environment executives are sometimes reluctant to participate in benefit programs where their employer's obligation is nothing more than an unsecured promise. They have legitimate concerns about the effect that bankruptcy, buyouts, and management changes could have on future benefits.

FACTS: Your prospect, Contraction Construction Company (CCC), is receptive to the idea of providing an extra benefit for their general manager, Calvin, especially if it binds him to the firm. Rumor is, that the competition is courting Calvin. CCC is considering a nonqualified plan but is discouraged by the cost required to implement and administer the plan.

Calvin's heart belongs to CCC but his pocket book is telling him that he needs more supplemental income in the future for college costs and the inevitable – retirement. He is painfully aware of the cyclical nature of the construction business. He has seen several of his competitors bought out or go out of business during building declines. He isn't convinced that CCC or its current owners will be around when benefits become payable. CCC and Calvin have consulted with you on this problem. Fortunately, you are able to construct a creative concept that allays both CCC's and Calvin's concerns.

SOLUTION: You suggest a restrictive executive bonus arrangement (REBA) as a way for Calvin to obtain death benefit protection for his family and build supplemental funds through cash value growth.

CCC will assist Calvin in purchasing a personally owned life insurance policy. CCC will bonus Calvin the premium plus additional cash to cover any out-of-pocket tax costs that result. Calvin can name and change the beneficiary at any time. The personally owned policy and its death benefit will be beyond the reach of CCC's creditors.

In return for the bonus, Calvin agrees to a policy endorsement, which restricts his access to the policy cash values for 10 years. At the end of this time period, the endorsement will be removed and Calvin will have full rights in the policy provided he has met the terms of his employment agreement.

The REBA has all the benefits of the standard executive bonus plan but adds significant incentives for long-term employment through the use of the restrictive endorsement. Note: A REBA must be structured carefully in order to achieve the desired results. Legal and tax counsel should be consulted prior to establishing the arrangement.

Depending on your prospect's risk tolerance, Prudential Financial provides attractive product alternatives for funding a REBA. Products include:

- **PruLife® Universal Plus** – Provides competitive cash accumulation for potential supplemental income* for individuals with low tolerance for investment risk.
- **PruLife® Custom Premier II** - Variable (equity based) product that provides competitive cash accumulation for potential supplemental income* for individuals with mid-level and higher tolerance for investment risk.

QUESTIONS TO ASK ON NEXT PAGE

Accessing cash values through withdrawals and loansl will reduce cash surrender values and death benefits, may affect any policy guarantees against lapse, and may have tax consequences.
PruLife® Custom Premier II is issued by Pruco Life Insurance Company in all states except in New York, where it is issued by Pruco Life Insurance Company of New Jersey, and is offered through Pruco Securities, LLC. PruLife® Universal Plus is issued by Pruco Life Insurance Company in all states except New York, where it is issued by The Prudential Insurance Company of America. All companies are Prudential Financial companies located in Newark, NJ 07102. Each is solely responsible for its own financial condition and contractual obligations.

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Prudential Financial

Restrictive Executive Bonus Using Life Insurance – Profile Questionnaire
Is a REBA the Right Benefit Plan to Meet Your Client's Needs?

Questions	***Yes***	***No***
Does your business need an employee fringe benefit incentive to recruit, retain and reward key executives?		
Do you need an arrangement that provides "golden handcuffs" ("strings" controlling the employee's right to receive benefits until certain conditions are met) to encourage executive loyalty and retention?		
Is there a need for the business to recover some or all of its costs if an employee does not meet the terms of the employment agreement?		
Does the business need a current income tax deduction for its contributions?		
Do you need the ability to pick and choose the employees that should be included in the arrangement?		
Do you want the flexibility to tailor the contributions and distributions of the arrangements to fit the individual needs of each executive?		
Do you want to keep benefit reporting and administration to a minimum?		
Do your executives have a need for permanent and portable death benefits?		
Do your executives have a need for supplemental retirement income? [1]		
Are your executives leery of benefits that could potentially be lost through ownership or management changes?		
Are your executives concerned about losing benefits to company creditors?		

How would you describe your tolerance to tax risk? Low_____ Moderate_____ Aggressive_____

If the answer to many of these questions is "yes", fax this questionnaire to Advanced Marketing to learn more about a Restrictive Executive Bonus Arrangement (REBA).

To: Advanced Marketing	**Producer:**	
Fax:	**Phone:**	**Email:**

[1] Withdrawals and loans reduce policy cash values and death benefits, may affect any policy guarantees against lapse, and may have tax consequences.