



REBAs Provide Employers with Golden Handcuff Opportunities

Do you have business prospects that have hinged their success on the efforts of one key executive? Have they come to the realization that it is time to groom a replacement but the “clock is ticking too fast?” Do they need a retention tool to help them through this transition period? If so, a restrictive executive bonus arrangement (REBA) may provide a solution.

FACTS: Manny Parker, age 55, is the dynamic and charismatic CEO of Laser Technologies, Inc. – a leading provider of surgical lasers in the medical industry. For the last 10 years he has shaped the company – producing cutting edge equipment, controlling costs and developing marketing strategies. Not only does he bring business acumen to the table, but he is also a “true leader” who motivates and rallies the staff.

Recently he came to the board of directors to discuss the possibility of early retirement since he has met his “magic 75 formula”, (i.e., age 55 plus twenty years with the company). The board realizes his departure could jeopardize the Company’s future. Transition planning has been put into effect and leaders to replace Manny are being trained, but his departure is too quick. The company needs more time to train successor management. And they need to have access to Manny’s creativity and solutions during this period. Here’s how a REBA would work to help solve this problem.

SOLUTION: Laser Technologies, Inc. agrees to pay a \$15,000 annual premium on a PruLife® Custom Premier II variable universal life (VUL) insurance policy to be personally owned by Manny. The Company will “double bonus” Manny \$20,833 (assuming a tax bracket of 28%) for 15 years so Manny has no out-of-pocket costs. The policy on Manny’s life will be structured with an increasing (option B) death benefit and funded sufficiently to encourage cash value growth.

In return for this zero-cost death benefit protection, Manny will execute a policy endorsement that restricts

his right to access cash values for the earlier of 15 years or his release by Laser Technologies, Inc. Manny’s employment agreement is amended to require he remain an active CEO of the company for a period of five years and then serve on the board of directors for another ten years. If Manny leaves Laser Technologies, Inc. before the end of his employment agreement, the death benefit remains in place, but he cannot withdraw, borrow, or surrender cash value, or use the policy as loan collateral until age 70.

It is a win-win situation! Laser Technologies, Inc. has ensured Manny’s active leadership at the helm of the company for a five-year transition period. In addition, they have kept his expertise tied to the company as a director for another ten years. All this at a minimal annual cost!

As for Manny, he is the owner of a valuable PruLife® Custom Premier II VUL policy. Not only do his heirs have the benefit of death proceeds, which are generally income tax-free under I.R.C. § 101(a), should something happen to Manny, but once Manny meets the term of the employment agreement, he has unrestricted access to the policy cash value.* 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.

PruLife® Custom Premier II is an attractive product for funding a REBA. Important product features include:

- **Competitive cash accumulation** and access to a broad spectrum of variable investment options, plus a fixed-rate option.
- **Rolling commissionable target premium** allows first-year compensation to be paid during the first 24 policy months until Commissionable Target Premium is reached. (Not available in NY).

ILLUSTRATION ON NEXT PAGE

* Loans and withdrawals reduce cash values and death benefits, may affect guarantees against lapse, and may have tax consequences.

PruLife® Custom Premier II is issued by Pruco Life Insurance Company in all states except New York, where it is issued by Pruco Life Insurance Company of New Jersey, and offered through Pruco Securities, LLC. For more information, including charges and expenses, see the prospectus.

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Prudential  **Financial**

Client Consideration, Male, 55, Preferred Plus

\$200,000 PruLife® Custom Premier II

Type B (Variable) Death Benefit for 15 years; Type A (Fixed) Death Benefit thereafter, Guideline Premium Test

Non-guaranteed results based on a Hypothetical Annual Gross Rate of Return of 10.00% (Net 9.30%)@ and Current Charges.

Year #	Age	EMPLOYER			EXECUTIVE				Net Cash Value	Net Death Benefit
		Annual Bonus Paid	Annual – Tax Benefit	A/T = Cost of Bonus	Net Annual Outlay	Annual – Bonus Received	Tax + Due on Bonus	Executive = Annual Outlay		
1	55	20833	7083	13750	15000	20833	5833	0	8227	212862<
2	56	20833	7083	13750	15000	20833	5833	0	22549	227184<
3	57	20833	7083	13750	15000	20833	5833	0	38204	242839<
4	58	20833	7083	13750	15000	20833	5833	0	55314	259949<
5	59	20833	7083	13750	15000	20833	5833	0	74850	278815<
6	60	20833	7083	13750	15000	20833	5833	0	96191	299436<
7	61	20833	7083	13750	15000	20833	5833	0	120609	323184<
8	62	20833	7083	13750	15000	20833	5833	0	147220	349074<
9	63	20833	7083	13750	15000	20833	5833	0	176063	377248<
10	64	20833	7083	13750	15000	20833	5833	0	207458	407922<
Total		208330	71918	133562	150000	208330	58330	0		
11	65	20833	7083	13750	15000	20833	5833	0	241805	441805<
12	66	20833	7083	13750	15000	20833	5833	0	278719	478719<
13	67	20833	7083	13750	15000	20833	5833	0	318943	518943<
14	68	20833	7083	13750	15000	20833	5833	0	362734	562734<
15	69	20833	7083	13750	15000	20833	5833	0	410421	610421<
16	70	0	0	0	-55000	0	0	-55000	386584	555421
17	71	0	0	0	-55000	0	0	-55000	360668	500421
18	72	0	0	0	-55000	0	0	-55000	332480	445421
19	73	0	0	0	-55000	0	0	-55000	301840	390421
20	74	0	0	0	-55000	0	0	-55000	268465	333871
Total		312495	106245	206250	-50000	312495	87495	-275000		

< Indicates the No-Lapse Guarantee is in effect for the entire policy year.

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**Non-guaranteed results based on a Hypothetical Annual
Gross Rate of Return of 10.00% (Net 9.30%)@ and Current Charges.**

Year	Age	EMPLOYER			EXECUTIVE				Net Cash Value	Net Death Benefit
		Annual Bonus Paid	Annual – Tax Benefit	A/T = Cost of Bonus	Net Annual Outlay	Annual – Bonus Received	Tax + Due on Bonus	Executive = Annual Outlay		
21	75	0	0	0	-55000	0	0	-55000	268465	333871
22	76	0	0	0	-55000	0	0	-55000	232224	275568
23	77	0	0	0	-55000	0	0	-55000	192886	215458
24	78	0	0	0	-55000	0	0	-55000	150122	169225
25	79	0	0	0	-55000	0	0	-55000	103297	123253
26	80	0	0	0	0	0	0	0	52002	72688
27	81	0	0	0	0	0	0	0	55935	77378
28	82	0	0	0	0	0	0	0	60113	82343
29	83	0	0	0	0	0	0	0	64548	87595
30	84	0	0	0	0	0	0	0	69245	93142
Total		312495	106245	206250	-325000	308219	83219	-550000		
31	85	0	0	0	0	0	0	0	79434	105126
32	86	0	0	0	0	0	0	0	84916	111556
33	87	0	0	0	0	0	0	0	90645	118266
34	88	0	0	0	0	0	0	0	96613	125248
35	89	0	0	0	0	0	0	0	102810	132493
36	90	0	0	0	0	0	0	0	109224	139989
37	91	0	0	0	0	0	0	0	116568	142100
38	92	0	0	0	0	0	0	0	125057	144946
39	93	0	0	0	0	0	0	0	134949	148740
40	94	0	0	0	0	0	0	0	146555	153739
Total		312495	106245	206250	-325000	308219	83219	-550000		
41	95	0	0	0	0	0	0	0	159978	159978
42	96	0	0	0	0	0	0	0	174646	174646
43	97	0	0	0	0	0	0	0	190676	190676
44	98	0	0	0	0	0	0	0	208193	208193
45	99	0	0	0	0	0	0	0	227336	227336
Total		312495	106245	206250	-325000	308219	83219	-550000		

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