



Supplementing Retirement with Executive Bonus Using WL

Client: Mary Ann, 50.

- Opened her first bakery 25 years ago.
- Now owns a chain of 10 stores and is planning for retirement.

Need: Mary Ann has used all of her assets to build her business. She knows that:

- She needs to save for retirement.
- Amounts allowed in a qualified plan won't be enough.

Solution: Fund an Executive Bonus Plan with a Prestige Max whole life policy. An Executive Bonus Plan is an uncomplicated executive fringe benefit that makes life insurance available to the executive on behalf of the employer.

Business executives transitioning into retirement may find that restrictions on qualified plan contributions, such as those in a 401(k), limit their ability to save for retirement.

Through a Prestige Max whole life policy's unique premium structure, Mary Ann can protect her assets and create a substantial cash flow during retirement years by using the policy to fund her own Executive Bonus Plan. Unlike some policies that depend on the payment of projected dividends to pay future premiums, Prestige Max guarantees the policyholder (executive) will not pay any premiums after age 65 of the insured or 10 years after the policy is issued (whichever is later).

Funding the Plan

Because her business is organized as a C corporation, Mary Ann can fund an Executive Bonus Plan for herself by using company dollars to purchase the whole life policy and the premiums are tax deductible to her business.

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Retirement Cash Flow		Age	Premium	Annual Cash Flow*	Death Benefit
Mary Ann, 50, Best Class		51	20,000.02	7,000.01	472,973
		52	20,000.02	7,000.01	488,328
		53	20,000.02	7,000.01	503,856
		54	20,000.02	7,000.01	519,829
		55	20,000.02	7,000.01	536,542
		56	20,000.02	7,000.01	554,160
		57	20,000.02	7,000.01	572,736
		58	20,000.02	7,000.01	592,328
		59	20,000.02	7,000.01	613,000
		60	20,000.02	7,000.01	634,824
		61	20,000.02	7,000.01	657,864
		62	20,000.02	7,000.01	682,184
		63	20,000.02	7,000.01	707,856
		64	20,000.02	7,000.01	734,944
		65	20,000.02	7,000.01	763,520
		66	0.00	0.00	793,664
		67	0.00	0.00	825,440
		68	0.00	0.00	858,912
		69	0.00	0.00	894,144
		70	0.00	0.00	931,200
		71	0.00	0.00	970,144
		72	0.00	0.00	1,011,040
		73	0.00	0.00	1,053,960
		74	0.00	0.00	1,100,000
		75	0.00	0.00	1,149,280
		76	0.00	0.00	1,201,840
		77	0.00	0.00	1,257,720
		78	0.00	0.00	1,317,080
		79	0.00	-21,497.00	1,379,960
		80	0.00	-21,497.00	1,446,460
		81	0.00	-21,497.00	1,516,660
		82	0.00	-21,497.00	1,590,640
		83	0.00	-21,497.00	1,668,480
		84	0.00	-21,497.00	1,750,280
		85	0.00	-21,497.00	1,836,120

Annual premium ages 51-65:
\$20,000
(deductible as business expense)

Annual cash flow ages 66-85:
\$21,497
(taken as preferred loans)

Death benefit extends to age 121
(Solved for surrender to tax-basis, then loans)

* At current interest and charges.

Supplementing retirement with Executive Bonus using WL (continued)

Mary Ann will be taxed on the bonus payments but the cash value within her Prestige Max policy grows tax-deferred. And when the policy is paid up at insured's age 65, Prestige Max's preferred loan feature allows Mary Ann to access her cash value at a reduced loan rate.

Prestige Max works for other small business structures

An Executive Bonus with Prestige Max is a great way for Mary Ann to meet her need for supplemental retirement income. However, if Mary Ann's business was organized as an LLC, S corporation or partnership, the business

would not receive any income tax deduction for the bonus to Mary Ann. But using a Prestige Max policy to fund an Executive Bonus plan would still provide tax-deferred cash growth and income-tax-free cash flow and death benefit.

Prestige Max provides:

- Guaranteed paid-up policy at age 65 or 10 years after policy is issued (whichever is later)
- Income tax-free death benefit
- High levels of dividends
- Preferred loan feature

Want to know more about Executive Bonus Plans?

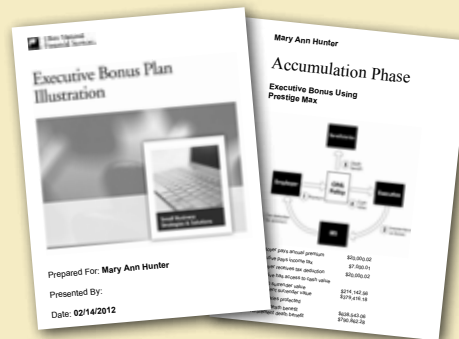
If you'd like to learn more about Executive Bonus Plans and about funding them with whole life insurance, Ohio National's Advanced Sales Team is here to help. They will explain the Executive Bonus strategy to you and can help you prepare illustrations and client proposals.

There are also several materials and guides about Executive Bonus available to you through ON-Net, including:

- Executive Bonus Adviser Guide, Form 1470;
- Executive Bonus Client Guide, Form 2300;
- Executive Bonus Client-Approved PowerPoint Presentation; and
- An Executive Bonus Sales Idea Brainshark Presentation.

For these pieces, and more, go to ON-Net>Quick Hits>Advanced Sales>Business Insurance>Executive Bonus. You can find the Brainshark at On-Net>Quick Hits>Brainsharks>Advanced Sales Brainsharks.

In addition, you'll find enhanced Executive Bonus features in the Ohio National Illustration Software, including the ability to run several Executive Bonus options for your client and present a complete Executive Bonus Proposal with a ledger, client summary page and explanatory pages.



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Individuals should consult their own tax advisers regarding all tax matters, including whether premiums paid under an Executive Bonus Plan qualify as a tax deduction.

Loans and withdrawals from life insurance policies that are classified as modified endowment contracts may be subject to tax at the time the loan or withdrawal is taken, and, if taken before age 59½, a 10 percent tax penalty may apply. Loans and withdrawals, if taken, will reduce the death benefit.

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