



## Sales idea

## Principal Indexed Universal Life Accumulation<sup>SM</sup>



# Help top businesses keep top people

Like many businesses, ABC Engineering faces a challenge in getting and keeping top talent. Its vice president of sales makes significant contributions to the company and earns a good salary. However, his income level makes it difficult to save all the money he needs in order to maintain his lifestyle in retirement:

- He already contributes the maximum to the company's 401(k) plan.
- He makes too much to have a Roth IRA.

A solution: ABC Engineering can help him save more while also making the firm more attractive to other existing and future key employees by implementing a Principal Executive Bonus Plus<sup>SM</sup> plan financed by life insurance.

### How the plan works

- During working years, the company pays him a bonus<sup>1</sup>, which is used to pay for a policy on him. The bonus is taxable but can be structured to reduce or eliminate out-of-pocket tax cost through an arrangement with the company.
- In retirement, he receives tax-free<sup>2</sup> income from the policy's cash value.
- At death, his family receives a tax-free benefit to help replace his income.

#### Benefits for the company

- Helps recruit, reward, retain and retire key employees
- Provides a current income tax deduction for the employee benefit<sup>3</sup>
- Is easy to explain and administer

#### Benefits for key employees

- Save more – Life insurance has no income-based funding limits, so he may pay what he needs to in order to reach his goals.<sup>4</sup>
- Manage cash flow – Income can be taken when needed. Withdrawals are available prior to age 59½ without penalty<sup>5</sup>.
- Diversify taxes – Adding tax-free income to taxable assets in his portfolio gives flexibility to take income in the most tax-efficient way.

### A smart choice to help build more for retirement

The executive was looking for a policy offering better growth potential than a fixed-rate product, but was wary of market volatility. Principal Indexed Universal Life Accumulation<sup>SM</sup> was an ideal financing choice for him:

- Has long-term growth potential driven by two S&P 500<sup>®</sup> index-linked accounts, without direct participation in the market
- Offers choice of standard or alternate loans for flexibility in retirement
- Features automated income platform that makes receiving distributions easy
- Provides access to a portion of the death benefit in the event of a chronic illness<sup>6</sup>
- Offers accelerated underwriting to fit a busy lifestyle

.....➔  
Close the case  
with no-cost plan  
administrative  
services!

## Get dedicated service every step of the way

ABC Engineering gets complete plan administrative services from our in-house business market administration – all at no charge. And the executive benefit administrators work with the client to ensure proper policy set up and manage target policy distribution objectives after the sale.



Let's connect.

Call the National Sales Desk today at 800-654-4278, or your Life RVP. Visit us at [advisors.principal.com](http://advisors.principal.com).



[principal.com](http://principal.com)

All guarantees are based on the claims-paying ability of the issuing insurance company.

<sup>1</sup> Bonus must be reasonable compensation (IRC Section 162).

<sup>2</sup> When structured properly, withdrawals and policy loans are received income tax-free.

<sup>3</sup> Business owners of flow-through entities (LLCs, S corporations, partnerships) are taxed pro rata on the dollars used to pay the premiums. These plans should generally be avoided by owner/employees. There may be some limited application for minority owner/employees.

<sup>4</sup> There are no funding limits based on income; however, the IRS does place limits to how much premium can be paid into a life insurance policy and still receive the benefit of income tax-free distributions. Paying too much into a policy will result in the policy becoming a Modified Endowment Contract (MEC). Distributions taken from a MEC policy are taxable to extent the amount withdrawn is gain. Additionally, if the withdrawal is taken before age 59½ there may also be a 10 percent penalty.

<sup>5</sup> As long as the policy is not a MEC.

<sup>6</sup> Availability varies by state.

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