




A D V A N C E D M A R K E T S

A Prospecting Guide

for Restrictive Endorsement Bonus Arrangements and Executive Bonus Plans

*A way to provide employees with supplemental retirement
income and life insurance protection*



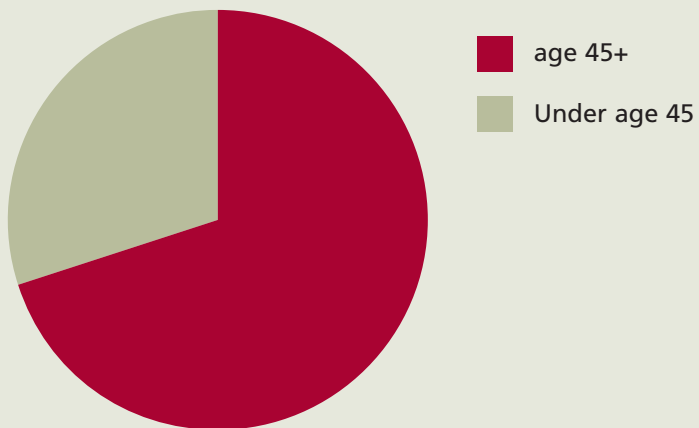
It does not matter what the job market looks like. A good person is always hard to find and even more difficult to replace. It still takes a lot of time and energy to interview, train and hire a candidate and it takes time for them to get up to speed. It is wise to provide incentives and rewards to valued employees in order to retain them. Two rewards that should be considered are an executive bonus arrangement and a restrictive endorsement bonus arrangement (REBA).



THE AGING OF THE WORKPLACE

70% of the work force is comprised of individuals over the age of 45 and by 2015 20% of the workplace will be over the age of 55.¹ The aging of employees will place a greater demand on talented and qualified individuals as people begin to retire. The company with the best incentive package such as one with an executive bonus or REBA arrangement, may win the battle for top talent.

THE WORK FORCE



THE RETIREMENT SQUEEZE

In addition to the strain on talented and qualified individuals, the aging of the workplace will increase the demand for retirement savings vehicles. A joint survey conducted by AARP and RoperASW found that many individuals would choose to retire early and work part time. However, 67% of individuals work in order to save for retirement, 55% work only because of the money and 80% do not believe they can afford to retire at all.

A recent survey conducted by TIAA-CREF found that people's perception of what they would spend in retirement compared to what people are actually spending was quite different. Prior to retirement, over half of the people surveyed believe spending would decrease in retirement, when in reality it remained the same or increased. The table below illustrates the difference between the retirement spending perception vs. the retirement spending reality.

	Retirement Perception	Retirement Reality
Drop in Spending	57%	31%
Stay the Same	36%	47%
Spend More in Retirement	8%	22%

People are living longer and retirement can stretch for an additional 10 years.

People will job hop if they need more money and better retirement benefits.

The pool of capable employees will begin to shrink over the next 20 years and

employers need to be ready. By enhancing a compensation package with an

executive bonus arrangement or REBA, employees will have an incentive to stay.

REBAS V. EXECUTIVE BONUS ARRANGEMENTS

While these plans are very similar, there are two distinctions that make them very different - a restriction and vesting schedule.

Executive Bonus Arrangements

An executive bonus arrangement is a simple plan that offers huge rewards for both the employer and the employee. It is an arrangement in which the employer will bonus the employee the premium due on a life insurance policy. In addition, the employer can also bonus the tax due on the premium each year.

Restrictive Endorsement Bonus Arrangement (REBA)

A REBA is an executive bonus arrangement with restrictions. In a REBA, the employer and the employee enter into an agreement in which the employer will bonus the premium and, if desired, the tax due on a premium to the employee. In this arrangement, a restriction is filed with the life insurance policy which restricts the employee from:

1. Surrendering the cash value
2. Taking loans and withdrawals
3. Using the policy as collateral
4. Changing ownership of the policy.

The restriction will last until retirement. If the employee leaves the company early, they will forfeit the policy. A REBA is also known as golden handcuffs because of the restrictions. In addition to the restrictions, a vesting schedule may also be implemented. The employee will gain more interest in the policy over a period of time, similar to a 401(k) vesting schedule.

PROSPECTS

The typical executive who should be considered for either a REBA or executive bonus is:

Age: Pre-retirement

Income: Highly compensated individual who makes over \$160,000 a year and is unable to achieve the maximum benefits of other company sponsored plans, like 401(k)s.

Status in Company: A valued employee who makes significant contributions. The company wants to reward the employee and give him or her extra incentives to remain. The company is concerned that the employee may leave the company, taking with him or her, not only knowledge, but also experience that cannot be replaced. The loss of the employee will also hurt morale and may lead to an exodus by others. A REBA/executive bonus prospect may be:

- Chief Executive Officer
- Chief Financial Officer
- Chief Marketing Officer
- President
- Member of the Board of Directors
- Executive Vice President
- Senior Vice President
- Vice President
- Highly Compensated Sales People

Financial Security: The employee is concerned that he or she will not have enough money in retirement to maintain the current standard of living. May also have a potential estate tax problem or cannot afford a life insurance policy.

QUESTIONS

Here are some questions to ask the employer who is considering implementing a supplemental retirement plan for key employees.

- 1 Are you looking for a way to reward key employees that requires only minimal cost and start up fees?
- 2 Are you looking for a way to reward and retain employees and at the same time take a tax deduction now?
- 3 Do you only want to reward select employees and not others?
- 4 Are you looking for a way to distinguish your compensation package from other companies?
- 5 Do you want to help select employees find a way to supplement retirement income and obtain life insurance protection?

VARIABLE LIFE INSURANCE

Variable life insurance is an ideal life insurance policy to use in either the executive bonus or REBA arrangement. It has flexibility, tax-deferred growth of potential cash values, and an income tax-free death benefit.² The Manulife VUL Accumulator³ is a perfect product for these concepts. It has a broad array of underlying investment options managed by some of the best asset managers in the country. In addition, the Manulife VUL Accumulator offers a 20-year no-lapse guarantee available at no additional cost.⁴

SUMMARY

Executive bonus and REBA plans are a great addition to any compensation package. They are simple to implement and benefit both the employer and the employee. With the age of the work force continuing to mature and reaching retirement age, any additional incentive (especially one that secures their lifestyle in retirement) is something that should be a standard part of any employee package.



For more information on executive bonus arrangements or REBAs, please contact your local Manulife Financial Representative or call the Advanced Markets Group at (888) 266-7498, option 3.

- 1 Ahead of the Curve, AARP and RoperASW survey, aarp.org
- 2 Life insurance death benefit proceeds are generally excludable from the beneficiary's gross income for income tax purposes. There are a few exceptions such as when a life insurance policy has been transferred for valuable consideration.
- 3 Venture VUL Accumulator is a variable universal life insurance product issued by The Manufacturers Life Insurance Company (U.S.A.) (Manulife USA) and distributed by Manulife Financial Securities LLC through other broker/dealers appointed by Manulife Financial Securities. Manulife USA and Manulife Financial Securities are members of the Manulife Financial group of companies, wholly owned subsidiaries of Manulife Financial Corporation. Please contact 1-888-266-7498, Option 2 to obtain a prospectus containing more complete information, including charges and expenses, or if you are interested in obtaining a selling agreement with Manulife Financial Securities.
- 4 The 20-Year No-Lapse Guarantee is automatically included with Venture VUL Accumulator. During this period the policy will be in effect as long as the Cumulative No-Lapse Guarantee Test is met. This guaranteed product feature is dependent upon the claims-paying ability of The Manufacturers Life Insurance Company U.S.A and in no way guarantees the performance of the underlying funds or principal value of the separate account and in no way guarantees the performance and principal value of the subaccounts. Duration of the 20-Year No-Lapse Guarantee may be less at older ages.

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