
Retaining the “Keep For Lifers”

May 2020 Newsletter | By: Ian Sachs, CFP®

Highly skilled and sought-after talent in the workplace is hard to come by. Losing a key person to a competitor not only results in a huge loss of revenue and productivity, but also years’ worth of time and resources. We like to call these people the “Keep For Lifers”. It is difficult to find qualified candidates to replace good people. Even if a company’s incentive package seems adequate, employees may still be swayed to leave.

One way to attract, retain, and reward Keep For Lifers is to establish a [Restrictive Executive Bonus Arrangement \(REBA\)](#).

A REBA, also known as a 162 Bonus Plan, is an employer-provided benefit program designed to provide a key employee with long-term financial incentives. It utilizes the benefits of an overfunded cash-value life insurance policy and is designed to accumulate on a tax-free basis.

Advantages to the Employee

- Funds accumulate in the employee’s name
- Funds grow tax-deferred and are protected from employer’s creditors
- Distributions at retirement are tax-free
- There is a tax-free survivorship benefit in the event of premature death
- No cost to the employee
- After the agreed-upon employment period, the money in the policy is accessible to the employee for whatever he or she would like to use it for



Advantages to the Employer

- A simple and cost-effective way to reward specific key employees
- No IRS or complicated government reporting
- No fees or administration
- Annual funding is fully deductible
- If the employee does not stay for the agreed upon time, all of the money available in the policy - up to what the employer put in - gets returned back to the company

The employer determines which employees to include in the plan. During or at retirement, the employee can use the cash value for supplemental income.

The employee maintains ownership rights to the policy with certain restrictions put in place by the employer. After a predetermined period of time (usually 5, 10, or 15 years), the restrictions are lifted, and the employee has full control over the plan. Premium contributions that are made by the employer increase the cash value which grows on an annual basis through interest credited from a select group of indexes.

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In a “**Double Bonus**” design, which is what we recommend, the employer pays annual tax-deductible bonuses to the employee via policy premiums while also providing the employee a cash sum to cover income tax due on the bonus.

Simplicity and ease of administration make REBAs one of the most widely used key employee strategies available. It’s a win-win, benefiting both the employer and employee and is ultimately a time-tested strategy for retaining good people.

We have implemented and serviced nearly a thousand of these plans over the years and continue to create new ones for business owners every week. For questions or to learn how to get started, email or give us a call.

About Risk Resource

Risk Resource is a nationally recognized financial services company that specializes in risk management and succession planning. We design and implement financial solutions to better prepare individuals and businesses for the future.

Risk Management: Our track record of success has earned us a reputation as an industry leader in life and disability insurance, long-term care, critical illness, and annuities. We understand every need is different which is why we represent over 100 insurance carriers. This gives us the flexibility and freedom to find the right solutions for each of our clients.

Contingency/Succession Planning: Our proprietary *Blueprints For Tomorrow™* program is designed to work directly with closely held businesses to create customized strategies and solutions to prepare business owners for the unexpected. To date, we have worked with over 3,000 business owners and their families in contingency, succession, exit, and transition planning. This program also includes key-employee retention and retirement planning.