

## Case Study

### Restricted Executive Bonus Arrangement (REBA)



#### The Problem

A large family business sought our advice on key talent retention.

Their 401(k) Plan continually failed average deferral percentage testing and lowered the amount highly compensated key employees could save for retirement.

In addition, group life and disability benefits were below peer group norms.

#### The Solution

We presented a simple one-page matrix with the most common non-qualified benefit designs and their respective pros and cons.

The Restricted Executive Bonus Arrangement (REBA) was deemed most suitable as it allowed the company to make tax-deductible contributions into permanent life insurance policies that are owned by the plan participants. A vesting schedule restricts cash values access in the early years and creates a sting should the plan participant decide to leave early.

As several key people participated in this plan, we were able to implement it without medical exams, etc. The policies we acquired provided life insurance and built-in Long-Term Care coverage.

#### The Outcome

The REBA provided:

- Enhanced executive retention
- Significant tax advantages
- Long term value

Non-qualified benefits can be offered on a selective participation basis without ERISA limitations

Get in Touch | [andreas@stuermannconsulting.com](mailto:andreas@stuermannconsulting.com) | 973.218.2622 | [www.stuermannconsulting.com](http://www.stuermannconsulting.com)

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