

# Give yourself a retirement bonus

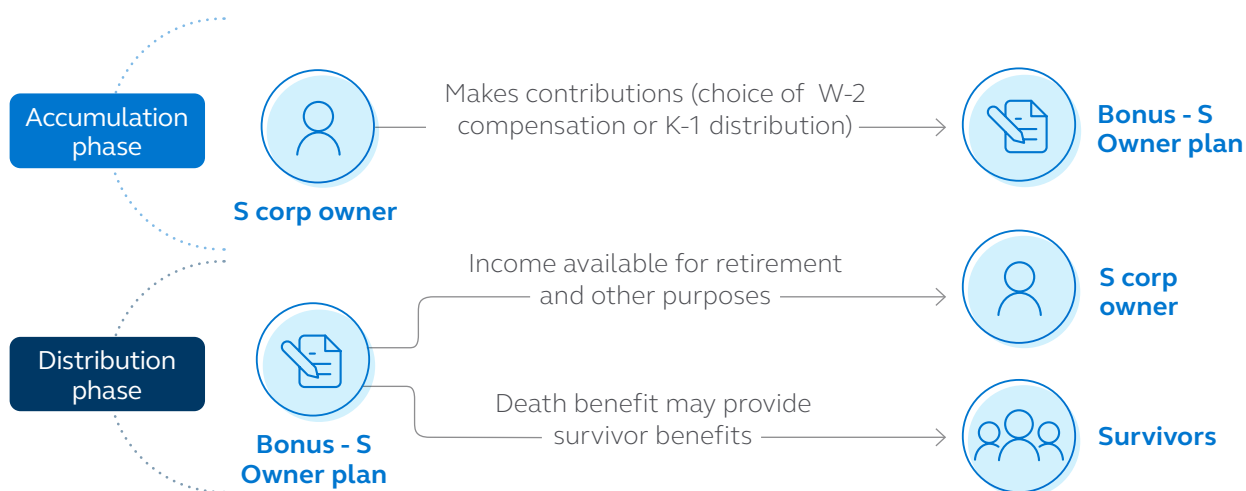
A retirement benefit for S corporation owners offering tax leverage and flexibility

As a busy S corporation owner, you also have your sights set on the future. A goal may be to maintain your current standard of living in retirement, but a 401(k) or other qualified plan may not let you save enough to do that. So what can you do today to help ensure you have enough income to enjoy your retirement years?

This bonus plan is designed for you—it can give you death benefit protection and help you save more for retirement. And it can provide tax leverage without contribution limits and restrictions on compensation. The tax leverage comes with using life insurance to finance the plan, rather than it being based on a tax code provision.

## Here's how it works

You select an amount to contribute from W-2 compensation or K-1 distributions<sup>1</sup>, and your dollars are used to finance the personally owned asset—like life insurance. At retirement, you may access the values in the financial asset to help supplement your retirement income.



## What you need to know

There are many advantages to this plan for you, just as there are some things to consider.

**Save more.** While qualified plans and Roth IRAs offer tax benefits, they have limits on compensation and contributions that don't apply to this bonus plan.

**Choose from contribution options.** As an S corporation owner, you can choose to take income as W-2 compensation or a K-1 distribution, allowing some payroll tax leverage.<sup>1</sup>

**Pay out distributions properly.** If there's more than one owner and K-1 distributions are used, distributions need to be in proportion to ownership.

**Pay income tax now.** Whether profits are distributed or retained for business expansion, you and any other owners are taxed on the profits of the business.<sup>2</sup>

**Need to be healthy.** You must be able to qualify for life insurance if you choose to use it for financing the plan.

**Choose alternate financing options.** If you or another owner is unable to qualify for life insurance, other options for financing the plan are available. But these options will have different tax implications regarding accumulation and distribution.

You want to have benefits in place that can have a positive impact on your future as well as the future of your business. Using life insurance as your financing vehicle can allow this bonus plan to provide you with protection and a source for additional retirement income. Plus, you can trust the service and expertise we'll provide to you every step of the way, year after year.



Contact your financial professional today or go to [principal.com](https://principal.com).

<sup>1</sup> Contributions must meet reasonable compensation regulations.

<sup>2</sup> S corporation owners report their share of business profits on their personal tax returns. Depending on your type of business and other personal income, you might be entitled to a deduction under IRC Section 199A, of up to 20% of your passthrough income, as a result of the Tax Cuts and Jobs Act.



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