



BUSINESS INSURANCE

Virtus IUL III and the “Three R’s” for business success

Successful business owners know the key to their business is their people. That’s why business owners need a way to attract and keep talented employees. An executive bonus program funded with life insurance can be a great answer by helping business owners meet the “Three R’s” of personnel management and investment: Recruit, Retain, and Reward.

Executive bonus: A flexible tool for business

A properly structured executive bonus program can be an excellent tool for any business owner to provide enhanced benefits for a key employee. Because it’s not covered by ERISA, an executive bonus provides flexibility by allowing the business owner to choose who is part of the program, while also allowing for flexibility in the way premiums are paid. Should the business struggle in a given year, the size of the bonus could change, or even be eliminated altogether. Also, there are no maximum limits (other than it should align with the employee’s value and services rendered). Because the benefit is considered taxable compensation to the employee, the business owner typically takes a current deduction for any bonus paid.

Life insurance: A valuable asset for any life stage

Life insurance can be an appealing asset to offer in an executive bonus plan. By providing a permanent life insurance policy, an employer can fill a need for key employees with death benefit protection, as well as cash value accumulation potential that can deliver tax-advantaged income usable for any purpose the employee desires. Because the executive bonus creates a personally owned asset, the policy can give the employee significant financial flexibility for use during working years or at retirement.

Virtus IUL III fits executive bonus

Virtus Indexed Universal Life (IUL) III is particularly well suited for an executive bonus program. First, as a universal life insurance product, the business owner has the ability to flex premiums, within limits, over a significant range between the minimum no-lapse premium and the MEC limit. That flexibility, combined with an affordable no-lapse premium and the product’s low-expense design, can mean that one year’s premium during a good profit year can protect the policy from lapse during a poor business cycle when the premium paid may need to be reduced.

The premium flexibility also provides creativity in case design. It gives the business the ability to connect the level of premium payments (beyond what’s needed to keep the policy in force) to the employee’s individual performance, team performance, or business goals.

Virtus IUL III also provides features the executive may want. The ability to use accounts tied to a well-known index, such as the S&P 500®, provides a platform for potential cash value that a traditional current assumption universal life (UL) policy currently can’t offer. This can be a strong selling point if the executive wants to use the cash value in this policy to supplement retirement, help with a child’s education or any other purpose.

With two loan options and the ability to switch between them, a policyholder will have greater choice and control in how they access their policy’s cash value.* These access features, plus the available Overloan Protection Rider, make Virtus IUL III an outstanding policy for distribution. An optional Accelerated Benefit Rider on this policy gives the employee one more feature – the ability to access funds in the event of a qualifying chronic or terminal illness.

continued

AuguStar*
Life

A universe of possibilities®

Business owners want to recruit, retain and reward their best talent. Exceptional talent wants exceptional benefits. Using Virtus IUL III with an executive bonus can be the perfect fit.

Value of Virtus IUL III as an executive bonus solution

- Support and care for the family with a death benefit if the employee dies.
- Premium flexibility gives the business the ability to increase or decrease premiums as needed (within policy parameters).
- Cash value accumulation potential through market-linked indices (subject to caps) with downside protection.
- Allows for potentially greater returns than a standard current assumption Universal Life policy.
- The flexibility to choose between cash value distribution options, including two loan options and partial surrenders, to create potentially tax-free supplemental income.
- Tax diversification in retirement income by providing a vehicle that may not require a 1099 tax return.
- The Overloan Protection Rider prevents qualifying policies, highly leveraged through loans, from lapsing and creating a taxable distribution for the policyowner.
- Rich living benefits enhance the policy's planning value, like the optional Accelerated Benefit Rider that provides early access to a portion of the death benefit in the event of a chronic or terminal illness.

Contact Advanced Planning at 877.665.2468 (option 1, 3) for more information.

* Once you select a Virtus IUL loan option, you must wait a 12-month period before switching to another loan option type.

This material provides general information that is designed to be educational in nature and is not intended as specific tax or legal advice to any particular individual nor the law of any particular state. Clients should seek the advice of a qualified tax or legal professional for your specific situation.

The Index Accounts are accounts that earn interest based, in part, on the growth of a corresponding stock market index, excluding dividends. When premiums are allocated to Index Accounts the dollars are not invested directly in any index or security.

If tax-free loans are taken and the policy lapses, a taxable event may occur. Withdrawals (partial surrenders) and loans from life insurance policies classified as modified endowment contracts may be subject to tax at the time the withdrawal or loan is taken and, if taken prior to age 59½, an additional 10% federal tax may apply. Withdrawals and loans reduce the death benefit and cash surrender value.

The optional Accelerated Benefit Rider provides for a partial acceleration of the policy death benefit in the event that the base policy insured is certified by a licensed physician as being chronically ill or terminally ill. By taking an accelerated death benefit payment, a lien is created against the policy death benefit. The lien accrues carrying charges at an adjustable rate we declare. The lien, including the lien carrying charges, will be deducted from the total death benefit otherwise payable to the policy beneficiary(ies) and will reduce the cash value available for policy loans, surrenders, or the exercise of any non-forfeiture option. The required premium for the policy must still be paid even if an accelerated death benefit is taken. If an accelerated benefit is taken and the policy lapses or otherwise terminates, a taxable event may occur.

Any accelerated benefit taken under this rider may be taxable. Clients should consult their tax advisor on all tax matters. Adding the rider to a life insurance policy or the taking of rider benefits may affect eligibility for certain public assistance programs and government benefits.

The Accelerated Benefit Rider is not designed to be a substitute for long-term care insurance, health insurance, or nursing home insurance. Rider benefits and features may vary by state.

The potential tax consequences of the Overloan Protection Rider have not specifically been determined by the IRS or the courts. Clients should consult a tax advisor.

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