

Benefit and Succession Planning For Business

Business Owners have many options available to them to provide executive benefits and to plan for business succession. The plan(s) appropriate for a particular business depend on many factors, including how the company files its taxes. You can utilize the below grid to help business owners make decisions about implementing benefit and/or buy-sell plans.

The colors (green, red, and yellow) next to the concepts/plans indicate whether a particular plan may make sense in a given situation for owners and employees.

- Green indicates that the plan may be appropriate, and may provide benefit and/or tax leverage for the business.
- Red indicates that the plan may not be appropriate for either the business owner and/or the employee.
- Yellow indicates that the plan can be implemented; however, it is possible there will be no tax leverage gained.

	S Corporation		C Corporation		Partnership	
	Owner	Employee	Owner	Employee	Owner	Employee
Benefit Plans						
162 Bonus Plans	?	✓	✓	✓	?	✓
Restrictive Executive Bonus Arrangement (REBA) Plan	?	✓	?	✓	?	✓
Supplemental Executive Retirement Plan (SERP)	?	✓	?	✓	?	✓
Nonqualified Deferred Compensation (NQDC) – Deferral Plan	✗	✓	?	✓	✗	✓
Short Term Deferral	?	✓	?	✓	?	✓
Split Dollar – Endorsement	?	✓	✓	✓	?	✓
Split Dollar – Loan Regime	?	✓	✓	✓	?	✓
Buy-Sell Plans						
Cross-Purchase	✓	n/a	✓	n/a	✓	n/a
Stock Redemption	✓	n/a	?	n/a	✓	n/a
Cross-Endorsement	✓	n/a	✓	n/a	✓	n/a
Insurance LLC	✓	n/a	✓	n/a	✓	n/a

Note: A limited liability company (LLC) is not a recognized entity of classification for federal tax purposes. An LLC is instead classified as either a C corporation, S Corporation, partnership, or sole proprietorship. Advisors should verify an LLC's specific entity classification before recommending any planning technique.