🚧 PROJECT: GOLDEN RUNWAY (OPEN SOURCE REVIEW)

Document: Implementation & Funding Guide | Target Audience: Finance, HR & Risk Leaders

Current Status: DRAFT v1.0 | **Host:** The Aura Impact

Welcome to the "Engine Room" of the Golden Runway.

While the Summary Plan Description (SPD) describes *what* the employee gets, this Implementation Guide explains *how* the company pays for it.

We are building a modular framework that allows companies of all sizes—from bootstrapped startups to global Fortune 500s—to adopt this standard. To do that, the financial architecture must be sound, tax-efficient, and scalable.

We are "Open Sourcing" this document because we believe the best standards are built collectively. Whether you are an HR leader, a business owner, a legal expert, CFO, Risk Manager, or a Benefit Broker, your perspective is critical.

📝 HOW TO SUBMIT FEEDBACK

We invite you to review this draft and share your thoughts using the following methods:

1. **Reference the Section:** See a loophole or a confusing clause? Please reference the **Model Number** (e.g., "Model A") so we know exactly where to look.
2. **Comment Publicly:** Drop your feedback in the **Comments** on this post. Public discussion helps everyone learn.
3. **Private Feedback:** If you prefer privacy, you can DM **@TheAuraImpact** on LinkedIn or Instagram, or email **theauraimpact@gmail.com**.

👇 AREAS OF FOCUS (WHAT TO LOOK FOR)

As you review the document, we specifically need your help to:

- **Validate the Models:** Are our descriptions of VEBA Trusts vs. Captive Insurance operationally accurate?
- **Check the Incentives:** Do the "Pros & Cons" for each model accurately reflect the reality of a corporate balance sheet?

- **Identify Gaps:** Is there a funding mechanism we missed? (e.g., Surety Bonds, Letters of Credit).

Your expertise will help prove that "doing the right thing" is also "doing the smart thing."

⚠️ **DISCLAIMER:** This is a conceptual draft for discussion purposes only. It does not constitute financial, tax, or legal advice. Implementation of any funding model described herein requires consultation with qualified actuaries and legal counsel.

[**SCROLL DOWN TO BEGIN REVIEW**] ⬇️ ⬇️ ⬇️

IMPLEMENTATION GUIDE: GOLDEN RUNWAY FUNDING MODELS

Document Number: 503 **Purpose:** To assist Finance & HR Leadership in selecting the appropriate funding vehicle for the Golden Runway Benefit Plan.

EXECUTIVE SUMMARY

The "Golden Runway" benefit guarantees financial security to employees. However, the *mechanism* used to store and payout that money can vary based on the company's size, cash flow, and risk tolerance.

We provide three approved funding architectures. **Model A (VEBA Trust)** is the standard recommendation for maximum security and tax efficiency. **Models B and C** are alternatives for specific organizational needs. **Model D (Captive)** is reserved for large global enterprises.

MODEL A: THE VEBA TRUST (The "Gold Standard")

Recommended for: Mid-Cap, Large Enterprise, and Public Companies.

How It Works

The Company establishes a separate legal entity (a Trust). The Company contributes cash (premiums) into this Trust. When an employee is terminated, the Trust pays the employee directly.

Pros & Cons

- **(+) Creditor Protection:** If the Company goes bankrupt, the money in the Trust is safe. It cannot be seized by creditors. This is the strongest "psychological safety" selling point for talent.
- **(+) Tax Efficiency:** Contributions are tax-deductible; investment growth inside the Trust is tax-exempt.
- **(+) Surplus Recovery:** If retention is high, the "surplus" stays in the Trust and can be used to pay for other benefits (like Health Insurance), effectively returning the money to the company's operational budget.
- **(-) Complexity:** Requires legal setup, an IRS determination letter, and annual Form 5500 filings.

SPD Language Replacement (For Section 8)

8.1 The Financial Vehicle: The VEBA Trust Benefits under this Plan are funded exclusively through the Golden Runway Voluntary Employees' Beneficiary Association (VEBA) Trust. Assets held in the Trust are legally restricted to provide benefits for Participants and are protected from the Company's creditors in the event of insolvency.

MODEL B: GENERAL ASSETS (The "Lean" Model)

Recommended for: Early-Stage Startups, Small Businesses (<50 Employees).

How It Works

There is no separate bucket of money. The Company simply pays the severance benefit out of its regular payroll account, just like a normal paycheck.

Pros & Cons

- **(+) Simplicity:** Zero setup cost. No legal fees, no separate tax ID, no trustees.

- **(+) Cash Flow:** You keep the cash in your operating account until the moment it is needed.
- **(-) No Security:** If the Company runs out of money (insolvency), the employee gets nothing. The promise is only as good as the company's bank balance.
- **(-) No Tax Leverage:** You cannot pre-fund the liability to get a tax deduction in a profitable year; you only get the deduction when the cash goes out the door.

SPD Language Replacement (For Section 8)

8.1 Funding Policy: General Assets Benefits under this Plan are paid solely from the general assets of the Company. The Plan is "unfunded" for purposes of ERISA. **Note on Security:** While the Company budgets for these obligations, no separate trust fund is maintained. In the event of Company insolvency, claims for benefits would be treated as unsecured general creditor claims.

MODEL C: FULLY INSURED (The "Fixed Cost" Model)

Recommended for: Risk-Averse Companies, Companies with Volatile Turnover.

How It Works

The Company buys an insurance policy from a third-party carrier (e.g., MetLife, Prudential). The Company pays a monthly premium. If an employee is fired, the Insurance Company writes the check.

Pros & Cons

- **(+) Predictability:** You know exactly what the cost will be every month (the premium). There are no "surprise" massive payouts if you have to lay off 10 people at once.
- **(+) Outsourced Admin:** The Insurance Carrier handles the claims processing and adjudication.
- **(-) Sunk Cost:** If you don't fire anyone, the premiums are gone. You do not get a "Contribution Holiday" or a surplus refund.
- **(-) Carrier Denials:** The Insurance Carrier may fight claims more aggressively to protect their own profits.

SPD Language Replacement (For Section 8)

8.1 The Financial Vehicle: Insured Benefit Benefits under this Plan are fully insured through a group policy issued by [Insurance Carrier Name]. **Claims Payment:** In the event of a Qualifying Termination, benefit payments are issued directly by the Insurer. The Company’s obligation is limited to the payment of monthly premiums to maintain the policy in good standing.

MODEL D / ADVANCED ARCHITECTURE: CAPTIVE INSURANCE

Recommended for: Fortune 500, Multi-National Corporations.

Strategic Note

For organizations with existing Captive Insurance entities (e.g., Bermuda, Vermont, Cayman domiciles), the Golden Runway can be funded via the Captive.

How It Works

The Company pays premiums to its own wholly-owned insurance subsidiary (The Captive) rather than a commercial carrier. The Captive effectively "insures" the VEBA or the General Asset obligation.

Key Difference from Model C (Fully Insured)

- **Profit Retention:** If claims are low (high retention), the "underwriting profit" stays within the corporate family (inside the Captive) rather than being lost to an external insurance carrier.
- **Investment Income:** The Captive can invest the premiums, generating additional float revenue for the parent company.

Recommendation

Do not use a Captive solely for this benefit unless one already exists. The capital requirements to start a Captive ($100k+ legal/setup) outweigh the benefits for a single plan. If a Captive exists, consult your Risk Manager to draft a custom "Intercompany Reinsurance Agreement" for Section 8.

DECISION MATRIX: WHICH MODEL IS RIGHT FOR YOU?

Feature	**Model A: VEBA Trust**	**Model B: General Assets**	**Model C: Fully Insured**
Setup Cost	High ($5k - $15k legal)	Zero	Low (Policy bind fees)
Admin Effort	Medium (Annual filings)	Low	Low (Premium payment)
Employee Security	**Maximum (Bankruptcy Proof)**	Low (At risk of insolvency)	High (Guaranteed by Insurer)
Cash Flow Impact	Steady (Monthly contributions)	Volatile (Spikes during layoffs)	Steady (Fixed Premium)
Surplus Utility	**High (Can pivot to Health Ops)**	None	None (Money is gone)
Best Fit For:	**Mature / Stable Orgs**	**Startups / Small Biz**	**Risk-Averse CFOs**

Export to Sheets

NEXT STEPS

1. **Evaluate:** Finance Leadership to review the Decision Matrix.
2. **Select:** Choose Model A, B, or C. (Consult Risk Mgmt if considering Captive/Model D).
3. **Draft:** Insert the corresponding "SPD Language Replacement" into Section 8 of the main Golden Runway SPD (#501).

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