

BUSINESS PROFILE

Help businesses attract and retain key talent

Nonqualified deferred compensation

Your sales opportunity

Business owner(s) wishing to:

- Reward and retain key employees for their contribution to the company's success
- Supplement a 401(k) program, to which executives may be limited in their contributions
- Recruit key talent and foster loyalty with key employees while ensuring business continuity

Potential solution: nonqualified deferred compensation using life insurance

A nonqualified deferred compensation (NQDC) plan is an executive compensation strategy that reduces the key employee's current taxable income and provides a promise to pay benefits sometime in the future.¹ To fund the plan, the business may arrange life insurance coverage on the key employee. NQDC plans may also offer golden handcuffs, which allows the company to recover contributions to the NQDC plan if the employee leaves before a particular date.

Four valuable features

1. In the event of the key employee's death, the business receives a tax-free death benefit
2. May reduce key employee's current taxable income
3. Key employee receives retirement income
4. Policy's cash value can also provide payments to key employee in the event of disability

Target client

Businesses with the following characteristics:

- Over 50 employees
- At least 10 years old
- Highly compensated employees facing limits on their 401(k) contributions
- Willing to accept increased current taxable income in exchange for income tax deduction at benefit payout

Candidates

Sales professionals
Managers
Executives
Other highly compensated employees

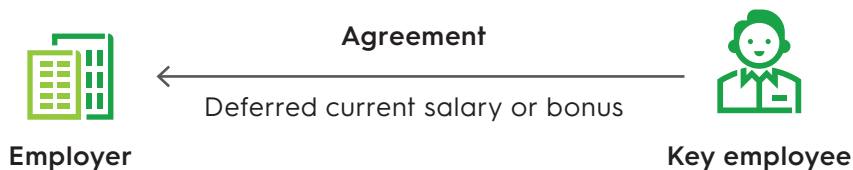
Not considered candidates

Business owners
Rank-and-file employees

How it works

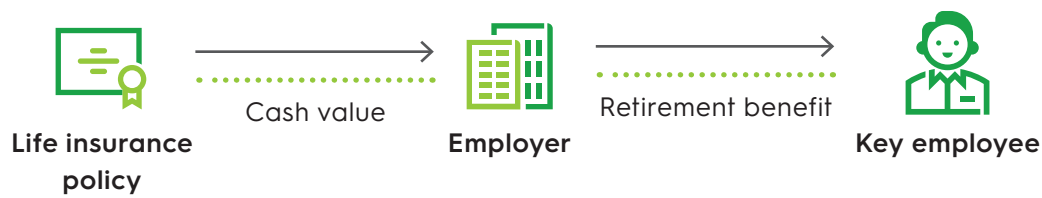
1. Company and key employee implement an agreement, drafted by a licensed attorney, specifying:

- The time at which the key employee can elect to defer compensation.
- The circumstances under which deferred compensation can be paid to the key executive (i.e., separation of service, death, disability, financial emergency, change of control of employer or a specified date).



2. Company determines how the plan will be funded:

- The plan must be unfunded in order to obtain the preferable tax and ERISA treatment.
- The company should consider an informal funding method to meet its obligations under the plan. As an informal funding vehicle, cash value life insurance offers tax-deferred growth potential and tax-advantaged access to policy values:
 - Company is owner and beneficiary of the policy. The employee is typically the insured but has absolutely no rights or ownership in the life insurance policy.
 - Company may choose to provide NQDC retirement benefits on a tax-advantaged basis through policy loans and withdrawals.



If the company chooses to pay retirement benefits using existing funds and hold the policy until the insured dies, internal gains are not taxed.



Learn more

Do you have business owner clients who could benefit from a nonqualified deferred compensation plan to attract and retain key employees? We can help - call our Advanced Sales Team today: **1-888-413-7860**, option 3.

1. Key employees must be either highly compensated employees or management.

Life insurance products contain fees, such as mortality and expense charges (which may increase over time), and may contain restrictions, such as surrender periods.

Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

Policy loans and withdrawals may create an adverse tax result in the event of lapse or policy surrender, and will reduce both the surrender value and death benefit. Withdrawals may be subject to taxation within the first 15 years of the contract. Clients should consult their tax advisor when considering taking a policy loan or withdrawal.

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