



Principal® Deferred Compensation - Incentive Bonus plan

# Recognize and motivate key employees

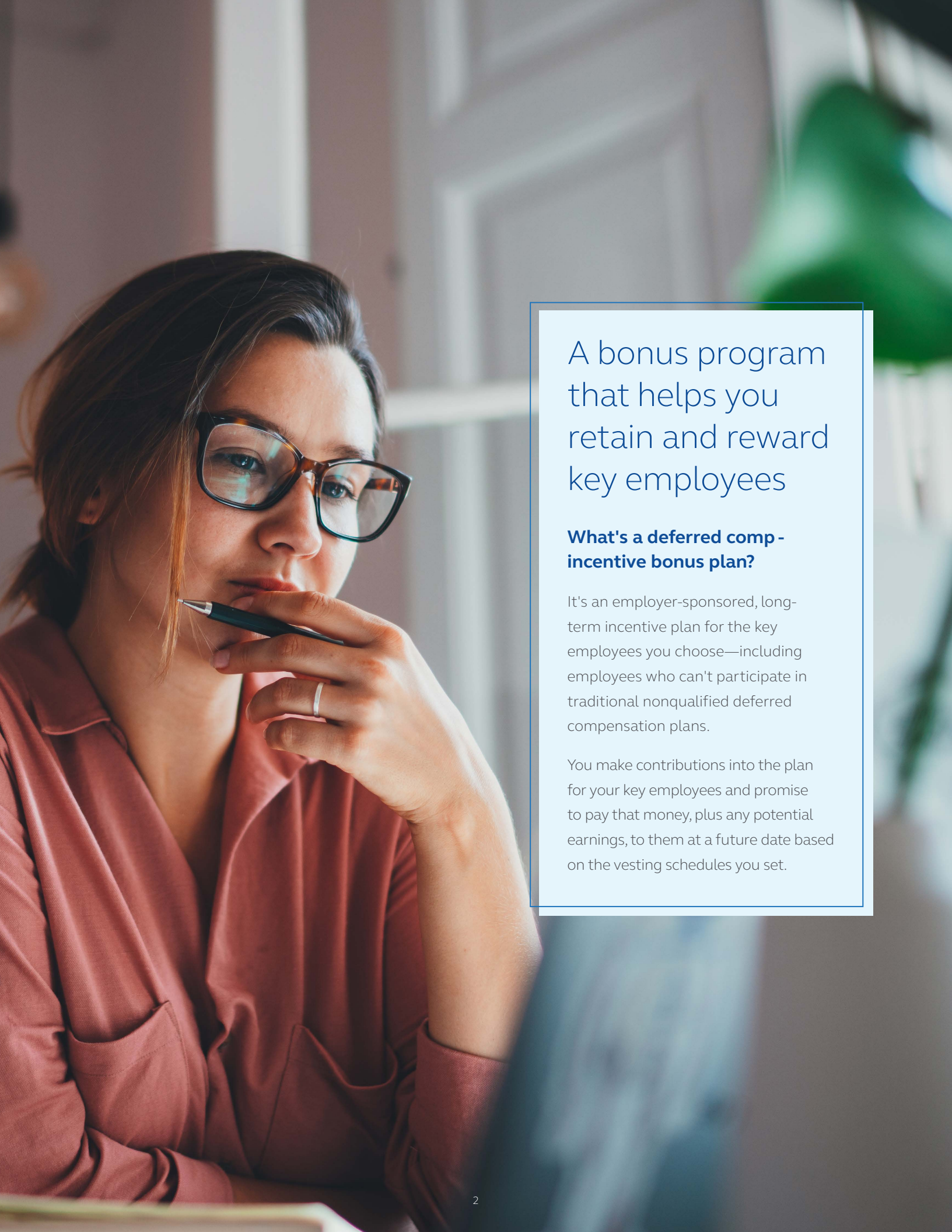
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## A bonus program that helps you retain and reward key employees

### **What's a deferred comp - incentive bonus plan?**

It's an employer-sponsored, long-term incentive plan for the key employees you choose—including employees who can't participate in traditional nonqualified deferred compensation plans.

You make contributions into the plan for your key employees and promise to pay that money, plus any potential earnings, to them at a future date based on the vesting schedules you set.



# Keep your key employees satisfied with benefits they need and value

Recognizing and rewarding the key employees who contribute to your organization's success makes good business sense. Their leadership and expertise are hard to match—and hard to find! What can you do **now** to help ensure your top talent remains committed to you—and **not** the competition?

Enhance your benefits package with this plan. It's designed to help you:

- › Encourage the best employees to join your organization as it grows.
- › Keep your key employees satisfied and motivated for the long term.
- › Reward your top talent for reaching goals.

No matter which of the areas above you're trying to address, we have a solution for your organization. To help you select the right plan, we'll listen to your challenges, understand your needs and goals, and work with you and your financial professional to:



**Discover.** Identify the issues your organization wants to resolve and what you want to achieve.



**Solve.** Learn how this plan can help solve problems and achieve your objectives.



**Design.** Use the plan's flexibility to tailor a plan to your organization's and participants' needs.



**Partner.** Trust the service and expertise we'll provide to you and your key employees every step of the way, year after year.



**Stay current.** Make changes to your plan as your organization's needs and goals change.



## What are your organization's goals?

It's important to your organization to have a valued and affordable benefits package—plus a little more for your key employees. So think about the goals you want your benefits package to achieve—both short- and long-term, such as:

Notes		
<b>Recruit</b>	Attract the best employees as part of a competitive benefits package.	
<b>Retain</b>	Encourage key employees to remain loyal to your organization.	
<b>Reward</b>	Provide performance-based contributions to achieve organizational goals.	
<b>Motivate</b>	Encourage high-performing employees to achieve results through incentives.	
<b>Retire</b>	Help your key employees save enough for retirement above what 401(k) plans allow.	

## What are your key employees' goals?

To have a successful plan, you need to address what your top employees want. Our annual trends survey<sup>1</sup> shows participants consider deferred comp among the most important in deciding to take a new job and to stay with an employer. And you can customize the plan to help your key employees with a variety of goals, including:

Notes		
<b>Savings goals</b>	Control timing of payouts to meet savings goals.	
<b>Managing taxes</b>	Help manage the impact of taxes using the plan's flexibility for when benefits are paid.	

# Solve

## Is this plan right for you and your key employees?

Once you've identified the most important goals, then consider the role that this plan can play in helping achieve those goals. The plan offers benefits and considerations for both the organization and the key employees.

### **Benefits for your key employees:**

- Take advantage of employer contributions, tax-deferred growth, and compounded earnings.
- Both "top hat" and "non-top hat" employees are eligible to participate in the plan.
- Design a personalized investment strategy.

### • **Benefits for you:**

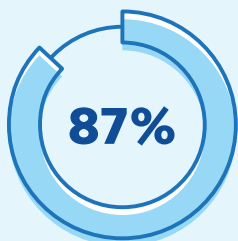
- Easier to administer with no discrimination testing, minimum participation, or Form 5500 filing, if set up properly.
- Use discretionary company contributions with vesting schedules to help achieve corporate goals.
- Money set aside to finance the plan remains an asset on the company's balance sheet, while providing liquidity for paying benefits.

### **Considerations for your key employees:**

- Contributions into the plan aren't protected in the event of company bankruptcy.
- Only employer contributions are allowed.

### **Considerations for you:**

- The corporate tax deduction is deferred until benefits are paid, rather than a current deduction.
- Distributions to plan participants must be paid within 10 years of the original date of each employer grant.
- To qualify as a bonus plan not subject to ERISA, the plan cannot be designed to "systematically" provide benefits to participants after separation from service. This determination must be made by the plan sponsor.



Plan sponsors' top reason to offer deferred comp is to **provide a competitive benefits package for key employees.**<sup>1</sup>

# Design

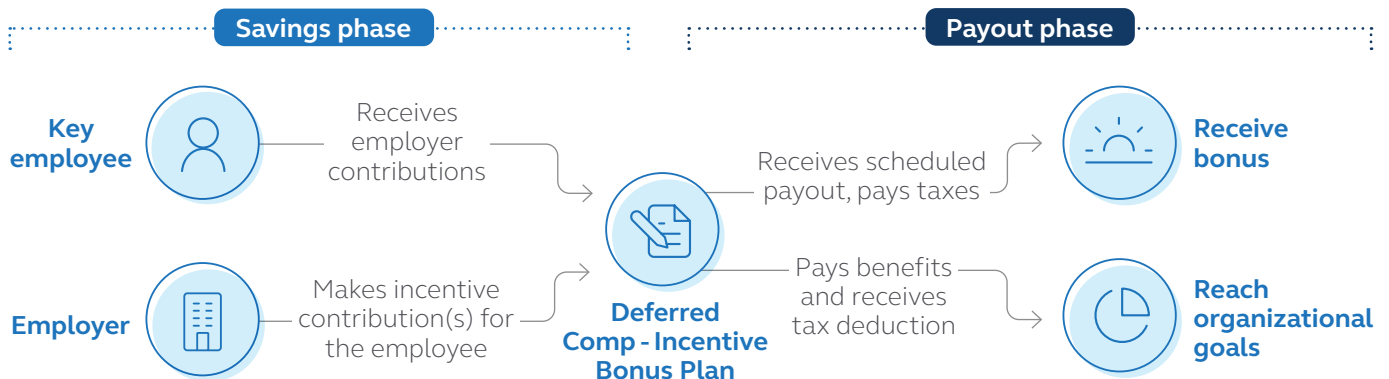
## How's the plan created?

You're in control of making the plan yours—it's based on the specific goals of your organization and unique needs of your key employees. Together with your financial professional, we'll walk you through the decisions that need to be made to design a plan that makes sense for your organization:

		Notes
<b>Who participates</b>	Select the groups of key employees ("top hat" and "non-top hat" employees) to participate in this plan.	
<b>What can be contributed</b>	You can provide one contribution per participant each year with the flexibility to vary benefits by individual employees.	
<b>What happens with the contributions</b>	You can select a reference investment lineup to make available to participants from a broad range of options. In addition, you can decide how and when key employees may receive the benefits based on organizational needs. However, benefits must be paid to them within 10 years of the date of the original employer grant.	
<b>How benefits are paid</b>	Decide how payouts can be received from the plan. Benefits are always distributed as a lump sum.	

## How it works

This chart shows how money is contributed to the plan and paid out at a later date. It also points out that when the benefit is distributed to the key employee, the employer receives an income-tax deduction, and the key employee pays income tax on it.



## How does your organization pay for it?

How the plan is financed	<p>Keeping your promise to pay benefits to participants in the future is important. Any one of these three (or combination of) financing options can help you do that. Plus, we'll provide a detailed financial model comparing the options to help you make this decision.</p> <ul style="list-style-type: none"> <li>• <b>Company cash.</b> No specific plan assets are set aside. Instead, benefits are paid through the company's cash flow.</li> <li>• <b>Taxable investments.</b> The company invests in mutual funds and/or individual securities.</li> <li>• <b>Corporate-owned life insurance (COLI).</b> The company purchases life insurance to pay future obligations.</li> </ul>	Notes
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## Partner

### How do we work with your organization and key employees?

You want to offer key employees the benefits they value—and those that will have a positive influence on them and your organization. Our team of experts will work closely with you and your financial professional to develop a strategy for implementing and servicing your nonqualified plan.

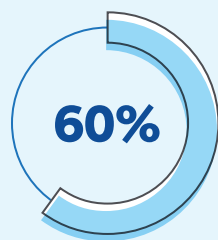
But we don't stop there. Year after year, we'll continue to work closely with you and your financial professional to fine-tune your plan to help ensure your organization's goals are met—and your plan is administered as efficiently as possible.

#### Keeping you in-the-know

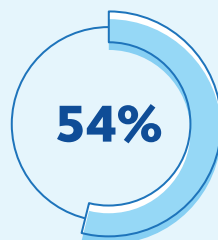
To help you stay on top of your plan, a range of information is available on our website and corporate accounting reports. You also have easy access to plan asset and liability reporting, investment resources, and other tools to assist with administering your plan. Plus, depending on your plan type and design, you'll receive:

- Access to plan participants' account information.
- Daily valuation of assets/liabilities.
- Asset/liability information and rebalancing services.
- Financing reviews to assess plan performance.

**PARTICIPANTS** tell us they consider the deferred comp plan most important in:<sup>1</sup>



**Considering  
taking a new  
job** with a new  
employer



**Deciding to stay**  
with a current  
employer



## Turning your key employees into plan participants

Understanding how this exclusive plan works is what nurtures appreciation for the benefit among your key employees. We're here to help every step of the way:

### Step 1: Introduce the plan

Whether this is a brand-new benefit or employees are familiar with this type of plan, we offer custom education to introduce plan basics.



### Step 2: Enrollment

Participants can set up their account and select an investment direction online at [principal.com](https://principal.com). Our nonqualified plan specialists are available to answer questions.

### Step 3: Ongoing education and planning

Your participants need support to stay on track. Participants can find information about their accounts, investment strategy, and scheduled distributions at [principal.com](https://principal.com).

These and other educational materials help participants understand how the plan works, along with its benefits and considerations, as they manage their accounts.



[Full Plan Name Here. Room for two plan names, if needed. Filler text to show 200 character limit. Tiur rempores dolupta nos samet expiris qui imet verferroviti rerchic itatem. Nam con re, imene simet]

### An exclusive benefit for you

Save more, manage taxes, retire on your schedule

Many factors go into deciding whether or not to participate, but once you are familiar with nonqualified benefits and ready to sign up, it's easy as:

Decide

Defer a portion of your compensation based on your financial goals. This reduces your taxable income.

Invest

While not directly investing, your account is credited with any gains or losses based on reference investments you choose.

Enjoy

Receive the compensation you previously deferred, plus any potential earnings credited to your account.

### Take action

Whether you're ready to defer some of your income or you need a little more time to decide, we encourage you to take action as soon as possible.

Meet with your financial professional

You may want to set up some time to talk with your financial professional and/or tax advisor to discuss how this plan can help you meet your financial objectives. Schedule an appointment soon so you can act quickly when the enrollment period opens.

Enroll in the plan

If you feel this plan is right for you and you want to participate meet your watch for communications soon about the start of the annual enrollment period. Keep in mind, your enrollment decisions are locked in. Once the enrollment period closes, you won't be able to go back and make changes until next year's enrollment session.

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## Stay current

### How does the plan keep up with your organization's needs and goals?

The incentive bonus plan is your plan. Its long-term success depends on how well it keeps pace with your organization's needs and goals—today and tomorrow. So once your plan is in place, we'll make sure to provide:

**Close attention to the plan over**, such as a participant's account balance from the beginning of the plan until payout.

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**Experienced specialists who offer feedback on factors that can influence the plan**, such as plan design changes and regulatory updates.

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**Analytical tools and resources are available for new and existing plans**—all while watching out for your bottom line.

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**Financing health dashboard** helps ensure the plan's financing continues to meet your goals.

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**Experience reviews** provide information about the plan's benefit experience, as well as the experience of the assets supporting these benefits.

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“ (We receive a) fantastic experience from our service team representatives and on up to our client relationship manager. We have a great working relationship. They understand our complicated structure, are well-respected by our senior leadership team, and very responsive. ”

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Plan sponsor quote from Principal research survey

## Ready to start?

Once you decide that this plan is right for your organization and key employees, we'll bring our expertise and resources to the table to help you put this plan in place within your desired timing. We'll begin by:

- Gathering information from you about your organization.
- Tailoring the plan to your specific needs and goals.

Thousands of employers value the solutions and services we provide. You and your financial professional can count on us, too. We'll do our best to deliver a positive experience for everyone involved.

# An industry leader in your corner

Our history speaks for itself. We've been providing deferred comp plans for more than 30 years, and have over 80 years of retirement plan experience. We're the No. 1 provider of deferred comp plans<sup>2</sup> and a top 3 defined contribution recordkeeper.<sup>3</sup>

What sets us apart from others is our:

- Commitment to and experience in the business and retirement plan markets.
- Unique plan design and flexibility to tailor it to specific needs and goals.
- Personal consultation that focuses first on the right plan design, and then on the financing to support it.
- Specialized team of legal, accounting, and financing resources with more than 200 years of combined experience to provide support.
- Service and commitment to building long-lasting relationships.

A member of the FORTUNE 500®, our employees are passionate about helping clients of all income and portfolio sizes achieve their goals. You can count on us to offer innovative ideas, investment expertise, and real-life solutions to help make financial progress possible.



Contact [Firstname Lastname] for more information or to help with the next steps in putting a plan in place.

<sup>1</sup> 2021 Trends in Nonqualified Deferred Compensation, conducted by Principal.

<sup>2</sup> Based on number of Section 409A plans, 2021 PLANSPONSOR Defined Contribution Recordkeeping Survey, July 2021.

<sup>3</sup> Based on number of deferred compensation plan participants, 2021 PLANSPONSOR Recordkeeping Survey, July 2021.



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