



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

# An exclusive benefit for you

Save more, manage taxes, retire on your schedule

[Sample Company Name here. 80 characters over two lines. If not needed, logo moves up.]

2" x .76" max logo space  
Align top left corner

# Congratulations are in order.

As the recipient of this booklet, your employer counts you as one of your organization's most valuable contributors. And for that, you've been selected for an exclusive opportunity to participate in a supplemental retirement plan. If you're interested in saving more, managing your tax bill, or retiring early, this plan could be for you.

Officially called a 457(b) nonqualified deferred compensation plan, it's a way to save that lets you delay part of your current compensation—before taxes are taken out—in exchange for some significant perks.

We know plans like this one can get a little complicated and do come with some risks. We're here to help you understand how they work and what you need to consider before participating. If you're interested, we also have some tips to help you make the most of the benefits.

## **An I.O.U. you give yourself**

This plan allows you to take what is in essence an I.O.U. on some annual income. Your employer then pays your future self at a date you choose, according to plan rules.

By participating in the plan, you'll be able to:

- **Save more for retirement.**
- **Gain flexibility in how you receive benefits from the plan.**
- **Tailor your investment strategy to meet your unique needs.**
- **Control how and when you pay taxes on what you've saved.**
- **And you may get additional employer contributions.**

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:



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



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



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

# How this fits your financial plan

We've put together a short quiz to help you decide whether the deferred comp plan is right for you and your family. The more "yes" answers, the better this plan fits based on your current financial situation:

Question	Answer
1. Are you close to maxing out, or have you maxed out contributions to a qualified retirement plan, such as a 401(k) or 403(b)?	Yes/No
2. Are you interested in lowering your current tax rate?	Yes/No
3. Are you concerned about your ability to meet your retirement savings goals?	Yes/No
4. Can you afford to defer a portion of your annual compensation?	Yes/No
5. Are you confident in your employer's chances for continued success?	Yes/No

## Think qualified plan first.

Before participating in the deferred comp plan, make sure you're making the most of your organization's 401(k) or 403(b) plan. Unlike this plan, savings in the qualified plan is yours and protected by the government (more on that later).

Once you've contributed all you can to the qualified plan, participating in a deferred comp plan may make sense as a way to continue to supplement your retirement income.

### 0-2 yes:

This type of plan might not be a great fit for you, but you can learn more about the opportunity starting on page 5.

### 3-4 yes:

After talking with your financial professional and/or tax advisor, you may find this plan is a good fit. Consider skipping to page 6 for more details.

### 5 yes:

We don't see anything keeping you from participating. When you get enrollment materials, visit [principal.com](http://principal.com) to get started.

# Benefits of deferred compensation

This deferred compensation plan allows you to:

- **Take advantage of pre-tax savings.** Setting aside some income before taxes are taken out and growing that savings on a tax-deferred basis puts more of your money to work for you.
- **Save more for retirement.** In 2024, you can defer up to \$23,000 between you and your employer's contribution to the plan. This is on top of what you may contribute to your qualified plan, such as a 401(k) or 403(b). Plus all contributions are 100% vested and you can make changes to your contribution on a monthly basis. This can help diversify your savings strategy and meet your retirement goals.
- **Enjoy flexibility.** You can make monthly changes to deferral elections and choose when to take distributions from the plan (in one lump sum or in installments) based on your personal savings goals. And with no age-based rules around the timing of distributions, you can retire on your schedule.
- **Receive employer contributions.** Your employer can make contributions to the plan on your behalf.

## What does “nonqualified” mean?

Now, we know “nonqualified” is an uncommon term and one that may not mean much to you unless you work in financial services. You're probably more familiar with what the government calls “qualified” plans, like a 401(k) or 403(b).

Qualified plans come with some built-in government protections but also with restrictions on how much you can save each year, when you have to take money out and when you can.

The rules are much different for a nonqualified plan. They don't have the same kinds of protection as qualified plans, but they also come with fewer government-imposed restrictions.

For a measure of protection, your company deposits all deferred compensation into a trust account that was established solely to hold assets and pay benefits.

While your employer retains control of any deferred money until it is distributed, the trust protects you from a change of control in organizational leadership. It also protects you from a later change of heart by your employer—after you've deferred income but before it's paid out. The only situation where your organization's promise could be broken is if they became insolvent or went bankrupt.

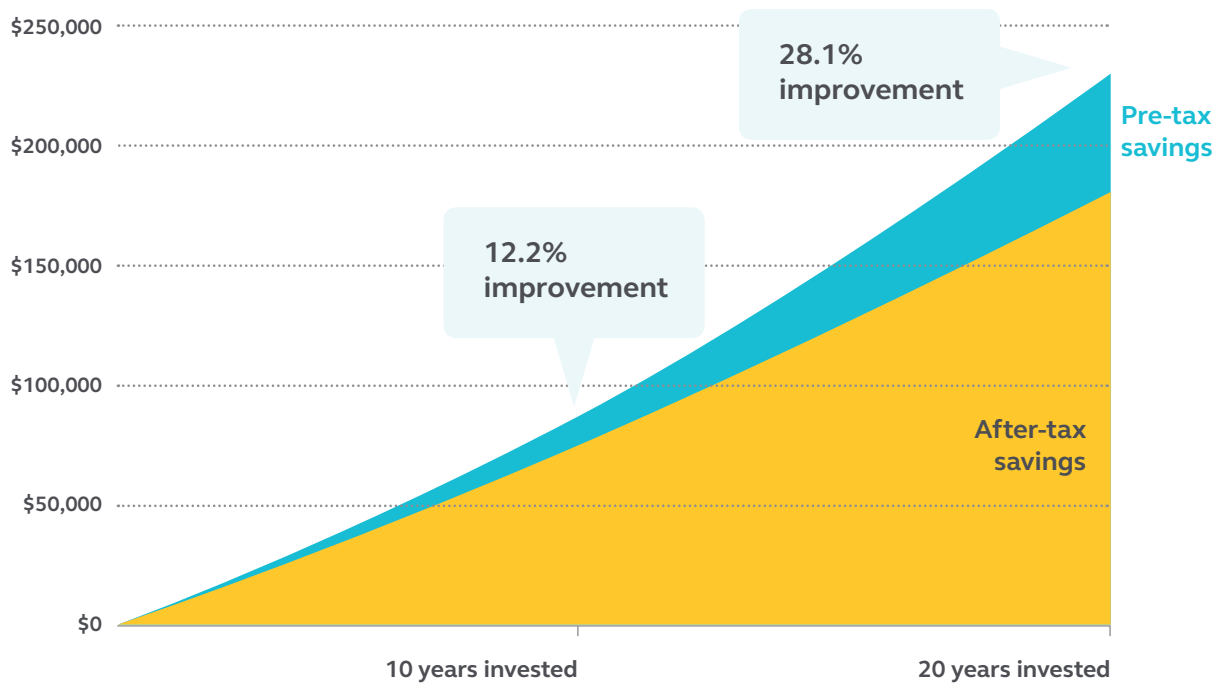
Even then, it doesn't necessarily mean you won't get paid. It just means you'll be treated like anyone else the company owes money. The bankruptcy process would determine how remaining organization assets are divided.

## Pre-tax savings pumps up your growth potential.

A deferred comp plan increases your savings power. Because you're deferring pre-tax dollars, and the earnings on those dollars compound on a tax-deferred basis, more of your money is working for you.

With a taxable investment, such as stocks or bonds, you've already paid taxes on the money you're investing. In a nonqualified plan, 100% of every dollar and any credited earnings grow tax-deferred.

The example below shows that over time, assuming the same earnings rate, you would have a larger account value from a pre-tax investment. This advantage increases dramatically the longer you let your balance grow. Also, by strategically timing when you pay taxes, you may find that you're able to lower your tax bracket in your retirement years.

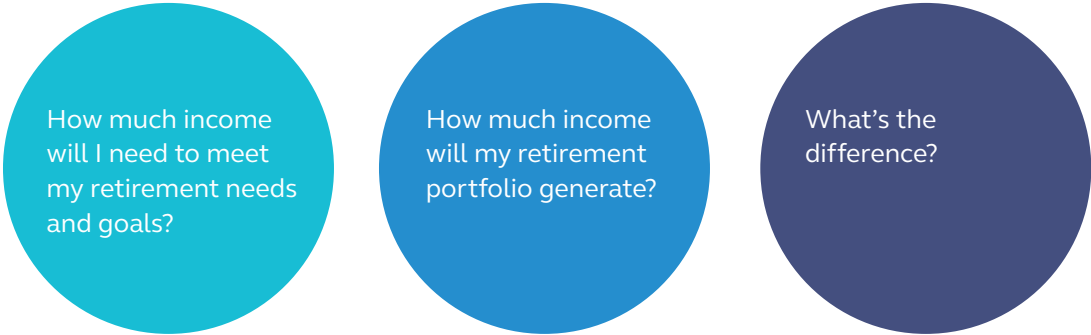


The illustration is a hypothetical example showing the principle of compounding. This example assumes an initial investment of \$10,000 with ongoing annual contributions of \$10,000 growing at an annual 6% rate of return compounded annually over a 20 year period. The example does not include the impact of any fees and expenses that would be associated with an actual investment. It does include a lump sum distribution of the pre-tax amount with a 40% tax rate. This hypothetical illustration is not intended to represent any specific type of investment. Keep in mind there is no assurance the investment will grow at a steady rate of return and consumers need to consider their personal investment horizon and income tax bracket, both current and anticipated when making investment decisions as these may further impact the results of the comparison.

# Save more for retirement.

Retirement may seem a long way off, but with people living longer, making sure you have sufficient retirement income has never been more critical. For employees like you, it may be challenging to meet retirement goals by solely relying on Social Security and qualified plans.

## It's important to ask yourself:



How much income  
will I need to meet  
my retirement needs  
and goals?

How much income  
will my retirement  
portfolio generate?

What's the  
difference?

Let's assume you've maxed out what your employer-sponsored 401(k) or 403(b) and additional qualified investments allow you to save and you still have a significant monthly shortfall. Contributing to a nonqualified plan can help you close the gap.

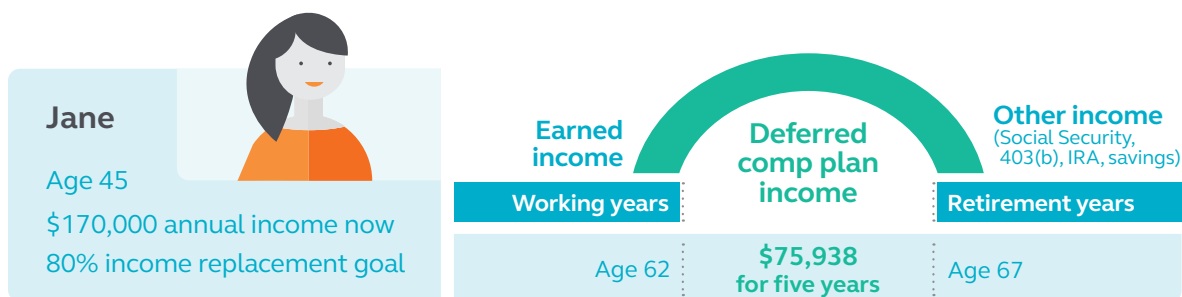
# Using the plan as an income bridge

Here's an interesting fact. Between the ages of 62 and 70, your Social Security benefits can grow about 7 or 8% each year you delay taking them.<sup>1</sup>

That's why one common strategy is to use a deferred comp plan as a bridge in retirement income. It can fill the gap between income earned while you're working and other retirement income that's still growing, or just isn't available yet.

## See the plan's potential.

See how a deferred comp plan can create \$565,121 to bridge the gap between earned income and other retirement income.



Jane wants to let her Social Security and 401(k) grow until 67, so she can get more out of that benefit. But she wants to retire earlier. She decides she can afford to defer 15% of her income now. Quick online calculations show that's enough to provide \$565,121 or \$75,938 annual income for five years. Now, she can retire at age 62 with enough to fund the traveling plans she's dreamed of.

### › Think like Jane!

See how you can bridge sources of income and compare investment strategies. [Principal.com/nqplanner](https://www.principal.com/nqplanner)

### Comparing an after-tax investment

Jane considered stocks or bonds using the same annual investment. The result was \$64,926, about a 14.5% decrease in after-tax income for five years.

<sup>1</sup> ssa.gov

For illustrative purposes only. Assumes 80% income replacement, 6% expected annual earning rate on investments, 40% pre-retirement marginal and post-retirement average ordinary income tax rate (federal and state), 20% individual capital gains/qualifying dividends tax rate and 80% of taxable savings account growth that is taxed at capital gains rate each year.

This calculator is made available as a self help resource for your planning convenience. The results from the calculator are based on your inputs and are not intended to be a financial plan or investment advice from the Principal Financial Group® but may be used as general guidelines to help you make retirement planning or other personal financial decisions. Responsibility for these decisions is assumed by you, not the Principal Financial Group.

All projections, analysis and calculation results are estimates and depend on many factors, including the data and assumptions you provide, and may not reflect all your sources of income or expenditures. In addition, it ignores future transactions or changes in tax laws which cannot be anticipated. The reports, graphs and other analysis are dependent upon the accuracy of the data you provided.

This calculator is provided with the understanding that none of the member companies of The Principal are rendering legal, accounting, or tax advice. Results may not be used to avoid penalties under the Internal Revenue Code. You should consult with appropriate counsel or other advisors on all matters pertaining to legal, tax, or accounting obligations and requirements.

## Some things to consider

- Unlike a qualified plan, rollovers and loans are not allowed with this nonqualified deferred compensation plan. However, you may transfer 457(b) plan assets from another employer into your current plan if both plans allow transfers. Also, contributions are not protected in the event your employer goes bankrupt or goes out of business.
- Distributions are treated as ordinary income, subject to current federal and state income tax.
- When enrolling, you'll need to decide when you plan to withdraw savings from this plan. You are permitted to make a one-time election to delay your payment to a future date, but no later than April 1 of the year after the year you turn 73.
- Your employer allows you to choose from several "reference" investment options. You can allocate contributions and monitor credited performance as if you were actually invested. Reference investments you select may or may not actually be selected by your employer. But this plan establishes a contractual obligation between you and your employer to honor any potential growth or loss in the reference investments when it comes time for payout.

## Managing your account

**Provide investment direction.** This deferred compensation plan offers you a variety of reference investment options in which to direct your deferrals. Each reference investment option offers a different level of risk and potential return. This lets you make choices that complement your overall financial strategy. For details on each reference investment option's objectives, risk and return characteristics, and historical performance, log on to [principal.com](https://principal.com).

**If deferred income is needed unexpectedly.** During enrollment, you'll designate how to receive your money from this plan if situations occur that prevent you from taking the money out as planned. Circumstances such as death, disability, a change in the organization's leadership, or financial hardship may qualify.

**Designate beneficiaries.** When you enroll, you must designate one or more beneficiaries. You can make beneficiary updates any time at [principal.com](https://principal.com).

**Stay connected.** This plan is offered through your company by Principal®, the No. 1 provider of nonqualified deferred compensation plans (excluding 457 plans).<sup>2</sup>

**You'll have easy access.** Go to [principal.com](https://principal.com) to enroll, view plan statements, and manage your plan. Or, download the Principal app<sup>3</sup> to monitor your account anytime.

How do employees like you view deferred compensation?

A recent study<sup>4</sup> found that 80% of participants consider the plan an important factor in reaching their retirement goals.

<sup>2</sup> Based on number of NQDC plans (excluding 457 plans), PLANSPONSOR Defined Contribution Recordkeeping Survey, July 2022.

<sup>3</sup> The Principal® app is available in the iOS and Google Play stores. Visit [principal.com/onthego](https://principal.com/onthego) for additional details and download instructions.

<sup>4</sup> The 2022 Principal® Trends in Nonqualified Deferred Compensation (NQDC) report, an online survey of 159 NQDC plan sponsors between June 6-27 and September 6-23 and 758 NQDC plan participants conducted between June 6-27 and September 6-26, 2022.

# 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.



## **Enroll in the plan.**

If you feel this plan is right for you and you want to participate, log on to [principal.com](https://principal.com) to get started.





[principal.com](https://principal.com)

For more information



[Line 1 custom contact information, can include up to 75 characters]

[Line 2 custom contact info, 42 characters]

[Line 3 custom contact info, 42 characters]

**Before investing, carefully consider the investment option objectives, risks, charges, and expenses. Contact a financial professional or visit [principal.com](https://principal.com) for a prospectus or, if available, a summary prospectus containing this and other information. Please read it carefully before investing.**

The subject matter in this communication is provided with the understanding that Principal® is not rendering legal, accounting, or tax advice. You should consult with appropriate counsel or other advisors on all matters pertaining to legal, tax, or accounting obligations and requirements.

Insurance products issued by Principal National Life Insurance Co. (except in NY) and Principal Life Insurance Company®. Plan administrative services provided by Principal Life. Principal Funds, Inc. is distributed by Principal Funds Distributor, Inc. Securities offered through Principal Securities, Inc., member SIPC, and/or independent broker/dealers. Referenced companies are members of the Principal Financial.

**Not FDIC or NCUA insured**

**May lose value • Not a deposit • No bank or credit union guarantee  
Not insured by any Federal government agency**

Principal®, Principal Financial Group®, and Principal and the logomark design are registered trademarks of Principal Financial Services, Inc., a Principal Financial Group company, in the United States and are trademarks and service marks of Principal Financial Services, Inc., in various countries around the world.