

Summary | Principal® Deferred Compensation - Incentive Bonus plan

# Rewarding your key employees' performance is good for business

A benefit that provides incentive for them and loyalty to you

Your top employees provide leadership and expertise every day. So, it's important that they stay motivated and loyal to your organization. How can you provide incentives that encourage them to do their best, while staying committed to you for the long term?

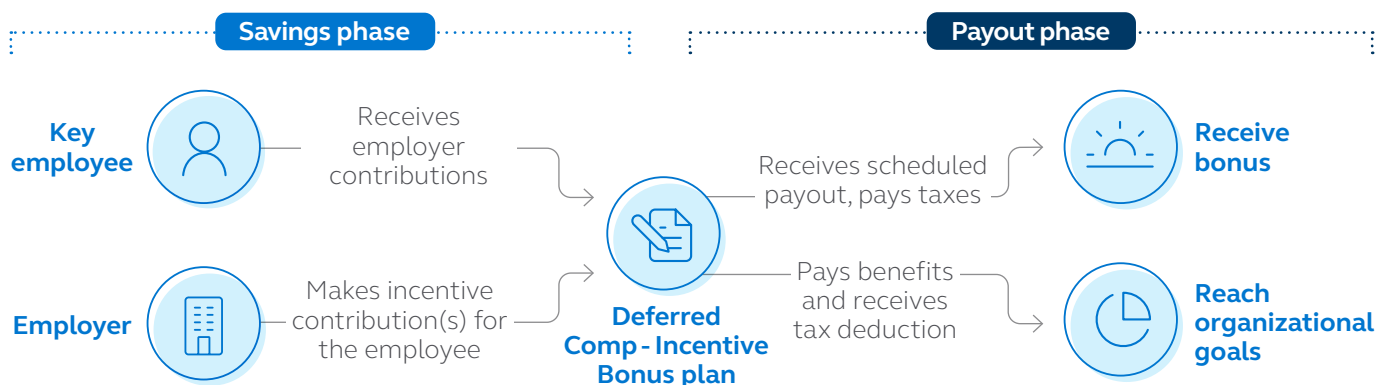
This incentive bonus plan is a smart solution designed to help you reward and keep your top employees. It's a tax-deferred bonus program that provides additional compensation beyond 401(k) limits to the key employees you select (highly compensated "top hat" employees and "non-top hat" employees). And you set the vesting schedules that best meet your business goals.

Unlike most long-term incentive plans, this nonqualified plan allows your key employees to design an investment strategy and includes online access account, vesting, and transaction information.

## Here's how it works

This incentive bonus plan is a type of bonus plan you provide to the key employees you select. You make contributions into the plan for the key employees and promise to pay that money, plus any earnings, to them at a future date based on the vesting schedules you set.

How you informally finance your plan can help you do just that—whether with corporate-owned life insurance or taxable investments, or the organization's cash flow.



## What you need to know

There are many advantages to this plan, just as there are some things to consider.

### For you

**Increase morale.** Top employees value this benefit, and it helps them remain loyal and motivated.

**Improve retention.** Retain select key employees by making employer contributions, which pay based on vesting schedules that meet your business goals.

**Defer tax deduction.** The money that accumulates to finance the plan remains an asset on the balance sheet until benefits are paid, and then the organization receives a tax deduction.

**Pay service fees/charge.** There are fees for plan administrative services, and there could be a charge to earnings on assets purchased to finance the plan.

### For your key employees

**Save more.** Take advantage of tax-deferred growth and compounded earnings.<sup>1,2</sup>

**Delayed taxation.** Benefit is taxed when paid out.

**Choose to participate.** Both “top hat” and “non-top hat” employees are eligible to participate in the plan.

**Design an investment strategy.** Tailor the plan with a variety of investment options.

**Limited protection.** This plan is unfunded and doesn’t provide the same protection as a 401(k) plan.

**Potential penalties.** If the company doesn’t comply with IRS rules, participants in the plan could face taxes and penalties.

Help your key employees save additional dollars for the future with an incentive bonus plan from Principal®. It’s a great way to tie them to your business, while helping to keep it strong and successful.

 [Learn more](#)

Contact your financial professional today. Visit [principal.com](https://principal.com).

<sup>1</sup> Contributions to the plan are subject to FICA when benefits vest. Distributions are taxable to participants upon receipt.

<sup>2</sup> Distributions must be paid within 10 years of the original date of each company grant.



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