Principal®

Principal® Deferred Compensation - 457(b) plan

Talking about 457 plans just got easier.

Sure, you know all the ways Principal® 457 plans can benefit employers and their key employees. But making the case to prospects and clients isn't always easy. Use these talking points to help guide your discussions—and make the most of your sales opportunities!

New 457(b) plan opportunities

Discuss these questions and considerations with employers who don't have a 457(b) plan in place.

Q How well is your retirement strategy working for key employees?

You devote a lot of time and resources to establishing retirement savings options for all employees. But it's important to provide options tailored to the unique needs of key employees. A key employee is someone whose loss would:

- Impact your ability to develop and execute your organization's strategy and deliver results.
- Result in significant recovery time for your organization.

Q What challenges do you face involving your key employees?

Employers often face challenges, such as:

- Finding and keeping top talent, particularly in a strong economy.
- Motivating key employees to continue performing at a high level and meeting goals.
- Helping them save enough for retirement despite limitations on retirement plan and Social Security contributions.

457(b) plans can help address these issues.

What's a 457(b) plan?

A 457(b) plan is an employer-sponsored benefit of 501(c) or non-governmental tax-exempt organizations for selected key employees. In other words, it's an agreement between an organization and its top performers.

Those who participate in a 457(b) plan defer a portion of their annual compensation or bonuses into the plan before taxes. And the organization promises to distribute that money, plus any potential earnings and additional employer contributions, to them at a future time.

How can a 457(b) plan fill a potential retirement income gap for key employees?

The idea that highly compensated employees might face retirement-saving challenges may seem puzzling. But their ability to save enough is affected by:

- The cap on Social Security benefits, which limits the amount of earnings subject to taxation for a given year.
- Maximum annual deferral limits for 401(k) or 403(b) plans.
- Declining availability of traditional pension plans.

457(b) plans can help close this gap.

What flexibility is there in the design of a 457(b) plan? How does that apply to your organization and participants?

A 457 plan provider—working together with your financial professional—can design a plan to help meet a variety of objectives, including:

- **Complement existing retirement plans.** 401(k) and 403(b) retirement plans might not provide highly compensated employees with enough income in retirement. A deferred comp plan allows them to defer income on a pre-tax basis. Plus, any matching contributions your organization makes can also go into the plan.
- **Improve retention and loyalty.** You have the flexibility to implement a plan design that customizes employer contributions (subject to limits). You can use these contributions to provide incentives and rewards that help with employee retention.

How do 457(b) plans benefit your organization and key employees?

457(b) plans can provide several benefits to your organization, including:

- **Increased morale.** Top employees value this benefit, and it may increase their loyalty and motivation.
- **Employee incentives.** You can leverage optional employer contributions to retain and reward select key employees.
- **Asset on the balance sheet.** The money that accumulates to finance the plan remains an asset on the balance sheet.
- **Simplified reporting.** The plan doesn't require nondiscrimination testing, minimum participation, or Form 5500 filing if set up properly.

Participants also benefit in the following ways:

- **More ways to save.** They can take advantage of pre-tax deferrals, tax-deferred growth, and compounded earnings.
- **Variety of investment options.** Participants are able to design their investment strategy.
- **Control over deferrals.** Participants can decide how much to defer into the plan the year prior to earning the income (which can be changed monthly). Then, they can choose how and when benefits are paid.

What should you and your key employees take into consideration?

Here are some things to be aware of:

- Unlike qualified retirement plans, there are no rollovers or loans with 457(b) plans. But plan-to-plan transfers are possible.
- Compensation deferred into the plan isn't protected in the event of bankruptcy.

Existing plan opportunities

Clients with existing 457(b) plans offer good opportunities. They've already shown a commitment to these solutions, but they may be experiencing pain points with their current providers.

Q If your organization already has a 457(b) plan, what would you look for in a new service provider?

An experienced, knowledgeable provider that specializes in 457 solutions can help enhance the value of these benefits. Here are some things to consider when evaluating your provider:

- **Plan design.** How satisfied are you with your plan's features?
- **Financing options.** Is your plan properly financed for the long term?
- **Administrative services.** How well is your current plan serving you and your key employees?
- **Key employee benefits expertise.** Does your provider have experience with employers of all sizes and types, and knowledge of the business and retirement plan markets?
- **Investment options.** Does your provider offer a wide range of investment options, allowing participants to choose from multiple money managers and fund families?
- **Total package of services.** Can your current provider offer expertise in plan design, financing, support, and administrative services—all in one place without third parties? Can they integrate all your retirement programs into one streamlined strategy?

Q What's needed to review an existing 457(b) plan?

To develop a proposal, a provider will generally need the following information about your current plan:

- **To complete an initial plan review —** plan documents, trust (if applicable), adoption agreement, total plan assets and liabilities, asset information, sample employer and employee statements.
- **To develop an investment strategy —** existing investment lineups for organization-owned asset and liability.

Why Principal

For over 25 years, we've committed specialized resources to our nonqualified business. These talking points will help you distinguish Principal from other 457 plan providers.

Q Why are our 457 plans integrated as part of Principal® Total Retirement Solutions?

Our nonqualified plan services, including 457 plans, are one of the five cornerstones of Principal Total Retirement Solutions. We integrate these with qualified retirement plan services to deliver one streamlined, cohesive program.

- **Your single source.** Our holistic approach means you can count on one provider and one platform for a variety of retirement services—including plan design, recordkeeping, participant experience, investment choices, and plan compliance.
- **Solutions for a variety of needs.** We can accommodate virtually any retirement plan arrangement for various employee ranks and an array of plan designs.

Q What benefits can your organization gain from a 457 plan integrated into Principal Total Retirement Solutions?

Employers like you are increasingly pursuing a total retirement solutions approach. Why? Using the same provider for multiple retirement plans can save time and money.

Principal Total Retirement Solutions streamlines plan administration for you by:

- Providing a single point of contact.
- Eliminating duplicate submissions to multiple providers.

For participants, it shows the big picture and provides a simpler experience through:

- Combined statements.
- One website for account information.
- Integrated education.

In addition to fewer administrative headaches, you may also enjoy higher employee salary deferral rates and account balances.

What are the advantages of choosing a 457 solution from Principal?

Principal has been providing nonqualified plans for more than 25 years, and we have more than 75 years of retirement plan experience. We're the No. 1 provider of nonqualified deferred compensation plans[1] and a leading provider of defined contribution plans[2].

What sets us apart from others is our:

- Knowledge of the business and retirement plan markets.
- Experience with employers of all sizes and types.
- Innovative design and flexibility to tailor the plan to specific needs.
- Personal consultation that focuses first on the right plan design, and then the financing to support it.
- Specialized team of legal, accounting, and financing resources.
- Experienced service specialists available to help throughout the life of the plan.
- Financial strength of a FORTUNE 500® company that provides a wide range of insurance and financial products and services to individual, business, and institutional clients.

[1] Based on total number of nonqualified deferred compensation plans (excluding 457 plans), *PLANSPONSOR* 2021 NQDC Recordkeeping Survey, July 2021.

[2] Based on number of recordkeeping plans, *PLANSPONSOR* Recordkeeping Survey, July 2021.

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