

Nonqualified deferred compensation plan

# Help shape your benefits package.

Because your employer appreciates your unique value, they think you deserve a level of benefits greater than the average employee. One way to accomplish this is through a benefit designed exclusively for employees like you.

Your employer is considering adding what's called a nonqualified deferred compensation plan to your benefits package. Here's how plans like these —from companies like Principal®—work. You take what is in essence a pre-tax IOU on a portion of your income that your employer agrees to pay you at a later date. It'll also include any gains or losses from the allocations you choose according to the plan provisions.



## 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.

### The potential benefits

Unlike qualified savings vehicles such as 401(k) or 403(b) plans, which carry government-imposed restrictions, nonqualified plans can be designed in many different ways to offer different benefits.

- **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.** Since this plan has different rules than a 401(k) or IRA, you'll be able save more for retirement while spreading out when you'll owe taxes and potentially seeing a greater return.
- **Enjoy flexibility.** You choose when to take money from the plan based on your personal savings goals (within whatever rules your employer has set up). And with no age-based rules around the timing of distributions, you can retire on your schedule.

## Some things to consider

- Nonqualified plan payouts are taxed as ordinary income and subject to state and federal taxes.
- Nonqualified plans do not allow rollovers or loans.
- Your deferred assets would be owned by the organization until they are paid out.
- You decide when you'll take the payout the year you make the deferral, and there are restrictions around changing scheduled distributions.

## How this fits your financial plan

To help us understand appeal for employees like you, let us know if this benefit would be a fit for you, personally. These questions will help you decide. If you answer yes to more questions than not, there's a good chance the plan is right for you.

- Close to maxing out, or have already maxed out, qualified plan contributions?
- Interested in a lower current tax rate?
- Concerned about meeting your retirement savings goals?
- Confident that you can afford to defer some of your current income?
- Confident in the continued success of the organization?

## Are you interested?

By indicating your interest, you can help determine whether a nonqualified deferred comp plan is suitable for the organization. Your answer today only determines interest. You aren't committing to participate or opt out right now.

If you're on the fence, talk it over with your financial professional or tax advisor and get back to us.

### Check **Yes** or **No**

**Yes**, I would consider participating in a nonqualified deferred comp plan.

Here's how much I might defer (response is optional)

Salary \$\_\_\_\_\_

Bonus \$\_\_\_\_\_ (if applicable)

**No**, I would not consider participating because

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