

Additional retirement savings for top-hat & non-top-hat employees

Learn how one company addressed failed qualified plan testing and employee retention issues



Deferred comp success story

Company profile

Privately held, mid-sized manufacturer

Opportunity/challenge

During a life insurance review for a business owner, an advisor asked about the employer’s benefits to retain key employees — and discovered a nonqualified deferred compensation sales opportunity.

The company provided its employees qualified retirement plans — including 401(k) and defined benefit plans. But it continued to fail nondiscrimination and top-heavy testing on its qualified 401(k) plan. And they also wanted to retain key middle-management employees.

A solution

The advisor leveraged the expertise of Principal® to present nonqualified solutions that could help employees save more for retirement. The CEO of the company reached out to discuss plan designs that would meet their needs.

Multiple solutions were needed to meet the retirement savings needs for two audiences — “top-hat” and non-top-hat employees. Two plans were implemented:

- A deferred comp plan for 12 highly compensated employees. This plan provided additional retirement savings, without worrying about 401(k) plan testing results.
- An incentive bonus plan for 11 non-top-hat employees. This plan — allowing only discretionary employer contributions — was designed to retain and reward other key employees who didn’t qualify for the deferred comp plan.



Results

Deferred comp plan

\$150,000

employer contributions

\$500,000

participant deferrals

Incentive bonus plan

\$75,000

employer contributions

Totals:

\$718,000

COLI premium

\$100,000

advisor compensation



Contact your regional vice president- nonqualified plans to discuss potential sales opportunities.



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