

Deferred comp adds value in key employee retention

Learn how one company retained key employees by helping them save more for retirement



Deferred comp success story

Company profile

- Waste disposal company
- S corporation

Opportunity/challenge

An employer had an existing 401(k) plan with Principal®, but wanted to help their key employees save more for retirement. The advisor knew a nonqualified deferred compensation plan could not only help their key employees save more, but could also be a valuable way for the company to retain its key employees. The deferred comp plan allows their key employees to save beyond the limits of a 401(k) plan without having to worry about nondiscrimination testing.

A solution

The advisor worked with their regional vice president – nonqualified plans to come up with some solutions that could meet the company’s needs. The employer chose a deferred comp plan financed with corporate-owned life insurance (COLI). The plan design was setup with employer contributions to help with retention and allowed minimal employee deferrals.

The owners also chose to contribute more premium to the COLI for additional, tax-advantaged assets. This helped the company with better loan costs from its bank and more money for future corporate expenditures - or to use for their own retirement.

Results

Deferred comp plan

\$350,000

recurring premium per year

\$42,000

first-year commissions



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



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