



Key employee retention  
and retirement

## Add value to your business.

Plans to recruit, reward,  
retain, and retire top talent



How does your key employee benefits package stack up? When evaluating employment options, an important consideration for key employees is an employer's comprehensive benefit package.

### The right benefits can make all the difference.

Retaining your key employees and helping them plan for retirement is just good business. Specifically, these plans can help you:

#### RECRUIT

Attract top talent as part of a competitive benefits package.

#### REWARD

Provide performance-based contributions to achieve organizational goals.

#### RETAIN

Encourage loyalty by helping to secure financial futures.

#### RETIRE

Offer additional savings and long-term income diversification options.

### Potential solutions that can help

Key employee benefit solutions from Principal® can help you offer key employees the benefits they deserve.

**Principal® Bonus.** An incentive plan that offers key employees multiple benefits. Plus, contributions are tax-deductible for your organization and it's easy to administer.

**Principal® Loan Split Dollar.** An incentive that provides survivor benefits for the key employee's family and may help meet other financial security goals. The employee owns a cash value life insurance policy that is paid for with loans from the employer.

**Principal® Deferred Compensation - Select Reward.** A plan that provides a lump-sum benefit at the end of a pre-determined service period, which encourages key employees to stay with you for the long term.

**Principal® Deferred Compensation - SERP.** A defined contribution deferred comp plan that encourages loyalty by providing valued benefits to select key employees at a future date.

**Principal® Deferred Compensation - Defined Contribution.** A plan that offer pre-tax deferral of participant compensation and/or employer contributions, depending on plan type and plan design.

**Principal® Deferred Compensation - Defined Benefit.** A plan that provides select key employees a retirement benefit above qualified plan limits.

## Consider which type of plan best fits your objectives.

Nonqualified deferred compensation plans

Considerations	Bonus <sup>1</sup>	Loan Split Dollar	Select Reward	SERP	NQ Defined Contribution	NQ Defined Benefit
Immediate business tax deduction	Yes	Yes <sup>2</sup>	No <sup>3</sup>	No <sup>3</sup>	No <sup>3</sup>	No <sup>3</sup>
Golden handcuffs	Yes, but limited	Yes	Yes	Yes	Yes	Yes
Immediate taxation to employee	Yes, but “gross-up” available <sup>4</sup>	Yes, but low until termination <sup>5</sup>	Yes, but low through the service period <sup>6</sup>	No, deferred until payout <sup>7</sup>	No, deferred until payout <sup>7</sup>	No, deferred until payout <sup>7</sup>
Cost recovery for business	No	Yes	Yes <sup>8</sup>	Yes <sup>9</sup>	Yes <sup>9</sup>	Yes <sup>9</sup>
Administrative support	Yes	Yes	Yes	Yes	Yes	Yes
Cost for administrative services	No	No	No	No	Yes	Yes
Who is allowed to contribute?	Employer & employee	Employer	Employer	Employer	Employer & employee	Employer
Limit on number of participants	No	No	No	Yes (1-5)	No	No
Subject to “top hat” <sup>10</sup>	No	No	Yes <sup>11</sup>	Yes	Yes	Yes



Contact your financial professional or go to [principal.com](https://www.principal.com).

- <sup>1</sup> Principal® Bonus - S Owner and Principal® Bonus - LLC Member are additional plan options available, designed specifically for owners of flow-through entities.
- <sup>2</sup> Employer may use bonuses, which are tax deductible, to pay the key employees' income tax on the loan interest.
- <sup>3</sup> Company receives a tax deduction only when the benefit is paid.
- <sup>4</sup> Employer may bonus some or all of the tax costs to the participant to mirror a pre-tax benefit.
- <sup>5</sup> Employee must pay tax on imputed interest.
- <sup>6</sup> If the arrangement includes an endorsement split dollar feature, the employee must pay economic benefit cost on the amount of death benefit endorsed to them.
- <sup>7</sup> Distributions are taxable to participant upon receipt. Deferrals may not be treated as deferred for state income-tax purposes in all states.
- <sup>8</sup> A portion of the death benefit may be endorsed back to employer as a cost recovery tool.
- <sup>9</sup> Cost recovery may be available if life insurance is used to informally finance the plan.
- <sup>10</sup> “Top hat” employees are a select group of management or highly compensated employees that meet Department of Labor guidelines.
- <sup>11</sup> If the lump sum benefit is not tied to retirement, then top hat does not apply.

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