



Key employee retention and retirement

## Add value to your business

Plans to help tax-exempt organizations 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 (Tax Exempt).** An incentive plan that offers key employees multiple benefits. Plus, it's easy to administer.

**Principal® Loan Split Dollar.** A plan that uses a loan to allow key employees and the employer to share the costs and benefits of the plan.

**Principal® Deferred Compensation – Select Reward (Tax Exempt).** 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 – 457(b) and 457(f) plans.** A defined contribution or defined benefit plan that offers pre-tax deferral of participant compensation and/or employer contributions, depending on plan type and plan design.

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

Nonqualified deferred compensation plans

| Considerations                                   | Bonus – Tax Exempt                         | Loan Split Dollar                           | Select Reward – Tax Exempt (a type of 457(f) plan)   | 457(b)                                 | 457(f)                              |
|--|--|---|--|--|-------------------------------------|
| Golden handcuffs                                 | Yes, but limited                           | Yes   | Yes  | Yes                                    | Yes                                 |
| Immediate taxation to employee                   | Yes, but “gross-up” available <sup>1</sup> | Yes, but low until termination <sup>2</sup> | Yes, but low through the service period <sup>3</sup> | No, deferred until payout <sup>4</sup> | No, if certain requirements are met |
| Cost recovery for organization                   | No   | Yes   | Yes <sup>5</sup>                                     | Yes <sup>6</sup>                       | Yes <sup>6</sup>                    |
| Administrative support                           | Yes  | Yes   | Yes  | Yes                                    | Yes                                 |
| Cost for administrative services                 | No   | No  | No   | Yes                                    | Yes                                 |
| Supplemental retirement income for key employees | Yes  | Yes   | Yes  | Yes                                    | Yes                                 |
| Employer contributions                           | Yes  | Yes   | Yes  | Yes                                    | Yes                                 |
| Employee contributions                           | Yes  | No  | No   | Yes                                    | Yes <sup>7</sup>                    |
| Subject to “top hat”                             | No   | No  | Yes <sup>8</sup>                                     | No                                     | Yes                                 |



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

<sup>1</sup> Employer may bonus some or all of the tax costs to the participant to simulate a pre-tax deferral.

<sup>2</sup> Employee must pay tax on imputed interest.

<sup>3</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>4</sup> Employee is taxed only when the benefit is distributed.

<sup>5</sup> A portion of the death benefit may be endorsed back to employer as a cost recovery tool.

<sup>6</sup> Cost recovery may be available if life insurance is used to informally finance the plan.

<sup>7</sup> Optional but with considerations for the employee and additional expenses for the employer.

<sup>8</sup> If the lump sum benefit is not tied to retirement, then top hat does not apply.

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