

Nonqualified deferred compensation plan

Meet Dan. The CEO who expanded company benefits for top talent.



Dan Kowalczyk, a top executive with a Midwest-based precision metal supplier, brought an idea to the table that promoted retention and filled a retirement savings gap many executives

were facing. The company added a nonqualified deferred compensation plan that gave high earners, like Dan, an opportunity to put away more pre-tax money than what their employer-sponsored 401(k) allowed.

“If key employees are offered a unique benefit... it ties them to the company that much more.”

— Dan Kowalczyk, retired business executive, nonqualified plan participant

Q | How did your company decide to put a deferred comp plan in place?

A | In visiting with our company’s financial professional, we discussed how it would be nice if we could somehow find a plan that could allow executives to defer taxes and contribute a greater part of their salary. Our financial professional said, “**Well, I have some options for you.**”

We got a good understanding of the nonqualified deferred compensation plan. And, as we went forward, I asked our financial professional to present it to the leadership team at our company. Anytime you have a benefit that can help employees save on taxes and gets more savings towards their retirement plans, it makes sense.

Q | Why did your company find value in this benefit?

A | One of our HR department’s objectives was to look for opportunities and tools to bring to upper management that could be used to make our company better.

If key employees are offered a unique benefit — something that they might not be aware of currently — it ties them to the company that much more, if it’s done well.

Q | Any advice for other employers considering a deferred comp plan?

A | I think that employers can do a better job of providing knowledge and opportunities for people who are key to your business and **you don’t want them to leave and join the competition.**

When opportunities are offered before people ask for them, it’s like, “**Hey, the company is really looking out for us. They’re really trying to do their best.**” And that is such a motivational tool and practice — I don’t think you can go wrong.

Q | How did the deferred comp plan fit in with your own retirement savings strategy?

A | For my wife and I, it was definitely an additional way to save money and reduce our tax liability. We understood what the downsides were but we didn't fear them. I had a goal of retiring at age 62 — which fortunately we were able to do at the time.

I only participated in the plan for probably five years, but still it worked extremely well. And I told my financial professional the last time we talked that **if it hadn't been for that additional savings tool, I would never have met my goal to retire at 62. It was that important.**

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