

Executive Benefits

Executive benefits help businesses recruit, retain, and reward top talent. These non-qualified plans supplement traditional retirement programs and provide added financial security for high earners.

Types of Executive Benefits

- **Deferred Compensation Plans:** Allow executives to defer a portion of their income to be received at a later date, often during retirement.
- **Executive Bonus Plans (Section 162 Plans):** Employers provide bonuses to fund a life insurance policy owned by the executive.
- **Supplemental Executive Retirement Plans (SERPs):** Employer-funded plans that promise future retirement income beyond qualified plan limits.
- **Split-Dollar Arrangements:** Share the costs and benefits of a life insurance policy between employer and executive.

Triggering Events

- Executive recruitment or retention strategy development
- Retirement planning for highly compensated employees
- Desire to provide benefits beyond traditional 401(k) limits
- Business succession or continuity planning
- Planning compensation packages for new leadership roles

Questions to Consider

1. Are current retirement plans meeting the needs of top earners?
2. Is the organization looking to enhance executive compensation offers?
3. Are retention concerns driving the need for long-term incentives?
4. Has the business evaluated tax-efficient strategies for rewarding leadership?

Key Benefits

- Enhances compensation packages for key personnel
- Helps retain leadership through long-term incentives
- Offers flexible plan design tailored to executive and business needs
- May provide tax advantages for both employer and employee
- Complements existing retirement and benefit structures

Plan Design Considerations

- ☒ Funding strategies (corporate-owned life insurance, cash flow, etc.)
- ☒ Vesting schedules and retention timelines
- ☒ Tax treatment of contributions and distributions
- ☒ Coordination with other benefits or compensation plans

Designing Executive Benefit Plans That Work

These plans can be tailored to meet the needs of the business, the executive's role, and long-term financial goals. Effective implementation requires coordination with legal, tax, and actuarial experts. Life insurance is often used as a funding tool to support commitments and reduce financial risk.