

# 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.