

Executive Benefit Programs



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Will Your Employees Have Enough at Retirement?

Financial experts agree that most people will need approximately 80 percent of their final income to maintain their standard of living during the retirement years. While most of your rank-and-file employees can achieve this objective with qualified plans, caps on these plans and Social Security benefits could mean your executives receive as little as 30 percent of salary at retirement.

WHAT CAUSES THE RETIREMENT GAP?

The government imposes monetary limits on the amount that employees and employers may contribute toward tax-favored qualified plans such as an IRA, 401(k) or a 403(b). In addition, qualified plans are subject to coverage and discrimination testing that may place further limits on contributions to the plans. These factors restrict the highly compensated executive's ability to accumulate money for retirement on a tax-favored basis.

HOW TO BRIDGE THE GAP

It is difficult, if not impossible, for executives to rely solely on qualified plans to generate enough income for retirement. To maintain their standard of living, they must turn to personal savings plans, company-sponsored executive benefit plans or a combination of both.

EXECUTIVE BENEFIT PLANS

Executive benefit plans can provide your company with a flexible, cost-effective approach to offering an alternative savings opportunity — as well as an incentive that may help retain the services of your top executives.

THE ADVANTAGES

For your company, executive benefit plans can provide:

- A program to recruit, reward and retain key talent
- Flexibility and freedom to select who will participate
- Discretion to design and control plan features and benefits
- Cost savings and less administrative requirements, compared to ERISA plans

For your employees, executive benefit plans can provide:

- An opportunity to save for retirement on a tax-advantaged basis
- A way to replace lost qualified plan benefits due to IRS limits and restrictions

WHAT TYPES OF EXECUTIVE BENEFIT PLANS ARE AVAILABLE?

Plan Choices

Several plan choices are available to help you build a competitive benefits package for your executives. These choices vary in cost, features and complexity. Working with NFP Executive Benefits, we can help you select the best possible solution for your company's specific needs. Below is a brief overview of the plans offered through NFP.

Non-qualified 409A Deferred Compensation Plan (DCP)

A DCP is a non-qualified benefit plan that enables executives to defer compensation on a pre-tax basis in excess of qualified plan limits. This plan has many of the features and benefits of a qualified 401(k) plan, but without the corresponding reporting, funding and non-discrimination testing requirements. The corporation may also contribute an additional amount and/or match the executive's contributions. Earnings on the executive and corporate contributions grow on a tax-deferred basis, and the accumulated contributions and any earnings are paid out at a specified date in the future.

Non-qualified Supplemental Executive Retirement Plan (SERP)

A SERP is an agreement between an employer and one or more of its executives to provide corporate-sponsored supplemental retirement benefits. The plan can be structured as a defined benefit plan or a defined contribution plan.

Defined Benefit Structure – The company promises to pay an executive a specified amount of retirement income for a specified period of time.

Defined Contribution Structure – The company promises to contribute a specified amount for a specified period of time into a retirement account for an executive. At retirement, the accumulated contributions plus any earnings are paid out as retirement income over a specified period of time.

Executive Bonus Plan (EBP)

With an EBP, the company uses compensation bonuses to assist the executives in saving for their own personal financial and retirement goals. The company pays the premiums on a specially designed, executive-owned life insurance policy and treats the premium amount as a compensation bonus to the executive. The premium amount is tax deductible to the corporation and taxable income to the executive. If properly structured, the tax-advantaged cash value accumulation within the policy and the death benefits can provide the employee with significant retirement income and survivor benefits.

PLAN IMPLEMENTATION AND ONGOING PLAN-LEVEL ADMINISTRATION

We can help you structure a benefit plan that will address the objectives and concerns of your business. An executive benefit plan does not have to be complicated to be effective. The three different executive program choices previously discussed offer meaningful benefits and plan features in as simple a plan design as possible.

PLAN COMMUNICATION AND ENROLLMENT

To encourage participation and to obtain the full value of the benefit program, it must be communicated effectively. Otherwise, your executives will not fully use or appreciate the program.

The NFP Executive Benefits platform provides a web-based communication strategy that has proven effective in providing key employees the information they need to understand, appreciate and participate in the plan.

PLAN-LEVEL ADMINISTRATION

NFP Executive Benefits offers plan-level services through leading administrators that will help you sort through plan administration and record-keeping responsibilities with comprehensive state-of-the-art expertise, online systems and ongoing support.

NFP: A POWERFUL ALLY

When you work with us, you receive our personalized service backed by National Financial Partners Corp. Founded in 1998, NFP is a leading financial services distribution company serving high net worth individuals and companies throughout the United States and in Canada.



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