



NON-QUALIFIED DEFERRED COMP PLAN

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WHAT IS A NON-QUALIFIED DEFERRED COMP PLAN AND WHAT ARE THEY DESIGNED TO DO?

Many executives have a difficult time accumulating the resources required to fund their retirement objectives. This is due in part to the limits placed on deferrals and matching employer contributions for qualified plans. A non-qualified deferred compensation plan is a cost-efficient strategy to address these problems providing the employer with a program to target select key individuals without having to offer the same program to “rank and file” employees.

GENERAL BENEFITS OF NON-QUALIFIED DEFERRED COMP PLANS:

- Employer has discretion to target plan for key employees
- Cost-efficient plan to administer
- Provides high degree of flexibility
- Minimal ERISA requirements depending on plan type
- Provides employer with key employee recruiting and retention resource

GENERAL TYPES OF NON-QUALIFIED DEFERRED COMP PLANS:

- **Supplemental Executive Retirement Plan (SERP)**
 - Informally funded by employer (usually with life insurance)
 - Provides defined contribution or defined benefit
 - Provides vesting schedule
- **Voluntary Deferral Plan**
 - Comprised entirely of executive’s salary deferrals
 - Employer controls funds management
 - Deferrals and investment gains comprise retirement assets
 - As long as plan is unfunded and unsecured, executive does not have to realize income
- **401(k) Mirror Plan**
 - Consists of employee deferral and employer match
 - May or may not offer vesting requirement
 - Mirrors qualified 401(k) plan but is unsecured and unfunded

Key Requirements Of Non-Qualified Deferred Comp Plans:

- **Must not provide “Constructive Receipt”:** the benefit cannot be credited to the executives account, set aside, or otherwise made available to the executive
- **Must provide “Substantial Risk of Forfeiture”:** the executive’s right to the use and enjoyment of the property are conditional upon future performance of substantial services
- **Limited to Top Hat Group:** select group of management or highly compensated employees
- **Must be “Unfunded”:** the benefits are paid solely from the general assets of the employer and must be reachable by the employer’s general creditors

THE BASICS

GENERAL TYPES OF PLANS

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KEY BENEFITS

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MOST LIKELY PROSPECTS

- Owners of small businesses dependent on retaining highly compensated key individuals within their organization
- People in key management positions
- Professionals that have recently changed jobs
- Businesses that have recently lost a key employee

POSITIONING STATEMENTS

(to be used after customer inquiry only)

- What types of programs have you implemented to attract and retain talent for the key positions within your organization?
- Would you like to visit with someone who can help you put together a program with a goal to retain your most valuable employees?
- What type of risk management plan have you implemented with a goal to make sure you do not lose key employees to your competitors?



PLEASE LIST THE NAMES OF 5 CLIENTS THAT COULD BENEFIT FROM THIS PROGRAM:

Name

Phone #

1) _____

2) _____

3) _____

4) _____

5) _____
