

Key employee retention and retirement

# Add value to your business

Plans to recruit, reward, retain and retire top talent



How does your key employee benefits package stack up? When determining employment strategy, an important consideration for key employees is an employer's comprehensive benefit package.

An important business strategy for you may be to use key employee benefits to help ensure you have engaged and loyal employees to help drive the success of your organization.

## The right benefits can make all the difference

Retaining your key employees and helping them plan for retirement is just good business. Specifically, these plans can help you:

### Recruit

Attract top talent as part of a competitive benefits package.

### Reward

Provide performance-based contributions to achieve organizational goals.

### Retain

Encourage loyalty by helping to secure financial futures.

### Retire

Offer additional savings and long-term income diversification options.

## Solutions that can help

Key employee benefit solutions from Principal® can help you offer key employees the benefits they deserve.

**Principal® Bonus** — an incentive plan that offers key employees multiple benefits. Plus, contributions are tax-deductible for your organization and it's easy to administer.

**Principal® Deferred Compensation - Select Reward** — a plan that provides a lump-sum benefit at the end of a pre-determined service period, which encourages key employees to stay with you for the long term.

**Principal® Deferred Compensation - SERP** — a defined contribution deferred comp plan that encourages loyalty by providing valued benefits to select key employees at a future date.

**Principal® Deferred Compensation - Defined Contribution & Defined Benefit** — plans that offer pre-tax deferral of participant compensation and/or employer contributions, depending on plan type and plan design.

Consider which type of plan best fits your objectives.

Considerations	Bonus <sup>1</sup>	Nonqualified deferred compensation plans		
		Select Reward	SERP	Defined Contribution and Defined Benefit
Immediate business tax deduction	Yes	No <sup>2</sup>	No <sup>2</sup>	No <sup>2</sup>
Golden handcuffs	Yes, but limited	Yes	Yes	Yes
Immediate taxation to employee	Yes, but “gross-up” available <sup>3</sup>	Yes, but low until termination <sup>4</sup>	No, deferred until payout <sup>5</sup>	No, deferred until payout <sup>5</sup>
Cost recovery for business	No	Yes <sup>6</sup>	Yes <sup>7</sup>	Yes <sup>7</sup>
Administrative support	Yes	Yes	Yes	Yes
Cost for administrative services	No	No	No	Yes
Employer contributions	Yes	Yes	Yes	Yes
Employee contributions	Yes	No	No	Yes (Defined Contribution) No (Defined Benefit)
Limit on number of participants	No	No	Yes (1-5)	No
Subject to “Top Hat” <sup>8</sup>	No	Yes <sup>9</sup>	Yes	Yes

<sup>1</sup> Principal® Bonus - S Owner and Principal® Bonus - LLC Member are additional plan options available, designed specifically for owners of flow-through entities.

<sup>2</sup> Company receives a tax deduction only when the benefit is paid.

<sup>3</sup> Employer may bonus some or all of the tax costs to the participant to mirror a pre-tax benefit.

<sup>4</sup> Employee must pay economic benefit cost on the amount of death benefit endorsed to him or her.

<sup>5</sup> Distributions are taxable to participant upon receipt. Deferrals may not be treated as deferred for state income-tax purposes in all states.

<sup>6</sup> A portion of the death benefit may be endorsed back to employer as a cost recovery tool.

<sup>7</sup> Cost recovery may be available if life insurance is used to informally finance the plan.

<sup>8</sup> “Top Hat” employees are a select group of management or highly compensated employees that meet Department of Labor Guidelines.

<sup>9</sup> If the lump sum benefit is not tied to retirement, then “Top Hat” does not apply.

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