

# Help your key employees bridge the retirement gap

A way to save more than a 401(k) or 403(b) plan allows



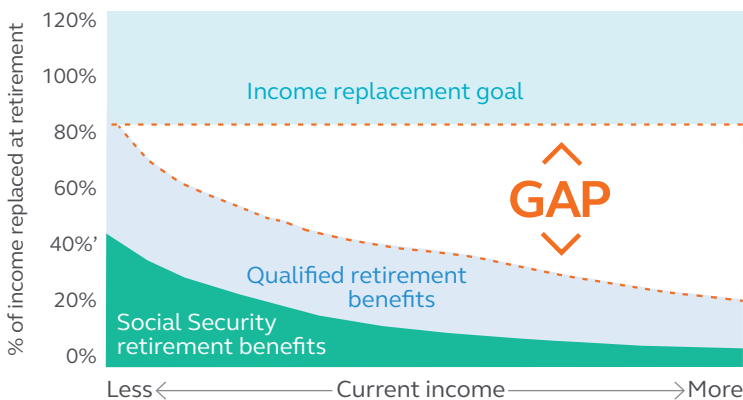
Your key employees are the backbone of your organization – focused on helping you meet business goals. But that hasn't kept them from thinking about – or even planning for – retirement. What can you do now to help ensure they have enough income to enjoy their retirement years?

A nonqualified deferred compensation plan can help boost your key employees' retirement savings. It allows them to save above and beyond the limits of a 401(k) or 403(b) plan. Plus, they may be able to take advantage of tax benefits not offered with other savings options.

## Help them stay on track

You've likely heard experts say that people need about 80 percent of their pre-retirement income to maintain their standard of living in retirement. Are your key employees on track to hit that mark?

The chart below shows the estimated percentage of income that will be replaced at retirement from Social Security and qualified plan benefits, such as a 401(k) plan. You'll see that the benefits of a deferred comp plan can help your key employees eliminate any gap in income. It works with their other income sources to help ensure they'll have what's needed in retirement.



This information is from the Principal Financial Group® Replacement Ratio Calculator with source information from the Annual Statistical Supplements to the Social Security Bulletin ([www.ssa.gov](http://www.ssa.gov)). It is intended to demonstrate the potential impact of Social Security and 401(k) plan benefits at various income levels. For more information on your individual circumstances, please speak with your financial or tax professional. ©2016 Principal Financial Services, Inc.

## Reasons for an income gap

Unlike a deferred comp plan, a 401(k) plan, 403(b) plan and Individual Retirement Accounts (IRAs) have limits on how much you can save each year. Plus, 401(k) and 403(b) plans are subject to non-discrimination testing that can limit the amount of employee and employer contributions to the plan.

## 2017 savings limits for different retirement plans

### 401(k) or 403(b) retirement plans:

- \$120,000 of wages earned in the preceding year classifies an employee as highly compensated.
- Various statutory or testing limits with 401(k) or 403(b) plans may limit deferrals (1.25%/2.0% nondiscrimination limit).
- \$18,000 maximum deferral (\$24,000 if age 50 or older).
- Total amount of company and employee contributions limited to \$54,000.
- \$270,000 maximum eligible compensation limit.

### Defined benefit plans:

- \$215,000 maximum annual benefit.
- \$270,000 maximum eligible compensation limit.

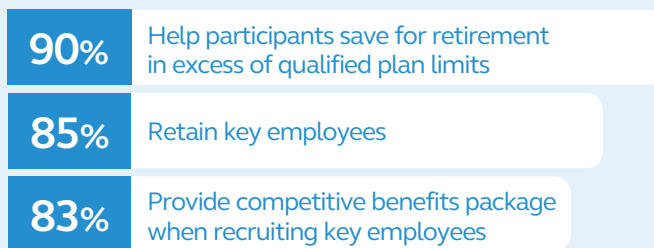
### Individual Retirement Accounts:

- \$5,500 maximum contribution (\$6,500 if age 50 or older).
- Employees with modified adjusted gross income above certain amounts (depending on filing status) cannot deduct contributions to an IRA account if participating in a qualified retirement plan (IRC Sec. 408).

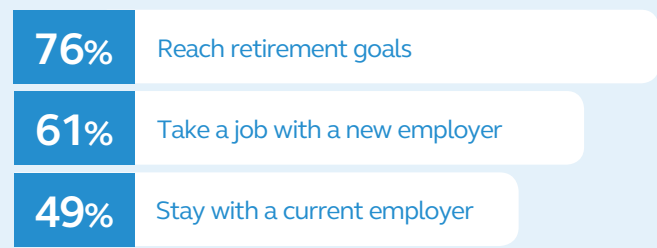
Your key employees need a way of saving more for retirement – a deferred comp plan can help them do just that!

## Research shows that employers and key employees value deferred comp\*

Employers' top reasons for having it are to:



Key employees say it's important in their decisions to:



\* 2015 Trends in Nonqualified Deferred Compensation, Principal®, published June 2016.

[Learn more.](#) | Contact your financial professional today.



[principal.com](http://principal.com)

Insurance products issued by Principal National Life Insurance Co. (except in NY) and Principal Life Insurance Co. Plan administrative services offered by Principal Life. Securities offered through Principal Securities, Inc., 800-247-1737, Member SIPC and/or independent broker/dealers. Principal National, Principal Life and Principal Securities are members of the Principal Financial Group®, Des Moines, IA 50392.

The subject matter in this communication is provided with the understanding that The Principal® is not rendering legal, accounting, or tax advice. You should consult with appropriate counsel or other advisors on all matters pertaining to legal, tax or accounting obligations and requirements.

**Not FDIC or NCUA insured**

**May lose value • Not a deposit • No bank or credit union guarantee  
Not insured by any Federal government agency**

Principal, Principal and symbol design and Principal Financial Group are trademarks and service marks of Principal Financial Services, Inc., a member of the Principal Financial Group.