

Protect your business with incentives for your key employees

Benefits they value also help you with recruiting and retention

Your key employees are the backbone of your company – their leadership and expertise keep it on the right path. So finding and keeping your top people is a priority. Plus, key employees want to work for a company that values their hard work – and offers them an incentive to stay.

Principal SERP SelectSM is a smart solution for you and your key employees. It provides valued benefits to them in the future, which encourages them to stay with you for the long term, instead of exploring opportunities with your competition.

Here's how it works

You and the key employees you select establish a defined contribution deferred compensation agreement. From there, you both have responsibilities during the service and payout periods:

Service period

- The company purchases life insurance from Principal[®] that builds cash value to help finance the plan. The key employee is the insured, while the company owns the policy and pays the premium.
- You determine how much you want the company to contribute to the plan for each participant.
- The decision is yours if you want to include a vesting schedule (cliff or 5-year graded).
- The company is the beneficiary of the life policy, but if an endorsement split dollar agreement is set up between the company and the key employee, part of the policy's death benefit may be given to the key employee's survivors if he/she dies during the service period.

Payout period

- Upon a triggering event, such as termination of employment, retirement, disability or death, a payout may begin for the key employee.
- Payout options include a lump sum or payments over a 3-year, 5-year or 10-year period.
- The benefit can be paid using dollars from your company cash flow, a withdrawal of cash value from the life policy or ownership of the policy can be transferred to the key employee to meet the payout requirement.
- The key employee owes income tax on the benefit amount in the year it's paid.

What you need to know

There are many advantages to this plan, just as there are some things to consider.

For your company

Encourage loyalty – You provide incentive for the key employee to join your company and stay for the long term.

Enjoy flexibility – Based on your business needs and goals, you can choose from a range of life insurance products, vesting schedules and payout options.

Receive a tax deduction – The company receives a tax deduction in the year the benefit is paid.

Reduce cash flow – Premiums are paid with company after-tax dollars, so each premium payment reduces your annual cash flow.

Recover the premium cost – If the key employee dies before a triggering event, the life policy's tax-free death benefit may be used to recover the cost of the premiums paid by the company.

For your key employees

Receive tax-deferred growth – Earnings and employer contributions accumulate in the plan tax-deferred.

Choose investment options – Key employee may be given the opportunity to choose the investment options used to measure the hypothetical account.

Provide for the future – Benefits from the plan can help supplement retirement income and may provide financial support to key employees' beneficiaries if death occurs during the service period.

Must qualify – The key employee must be healthy enough to qualify for the life insurance policy.

Pay taxes – Income tax is due on the benefit amount in the year it's received.

Encourage your key employees to stay with you for the long term, instead of exploring opportunities with your competition, by providing Principal SERP Select. It's a great way to offer them a valued benefit, while helping you recruit, reward and keep your top talent.

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