

Summary | Nonqualified deferred compensation plan

Protect your company by looking out for your key employees

Benefits designed for them also provide advantages for you

Your key employees help lead your company and keep it on the right path. So finding and keeping them is a priority. Key employees also want to work for a company that values their hard work – and offers them additional ways to save for the future.

A nonqualified deferred compensation plan is a smart solution for you and your key employees. It's designed to help your top talent save beyond 401(k) plan limitations for retirement and other savings goals, while helping you recruit, retain and reward them.

Here's how it works



A deferred comp plan is a type of savings vehicle you provide to the key employees you select. Participants can defer a portion of their annual compensation or bonuses into the plan before taxes. And you promise to pay that money, plus any earnings or additional contributions you may offer, to them at a future date.

How you informally finance your plan can help you do just that – whether with corporate-owned life insurance or taxable investments, or company cash flow.

“The plan allows my employer to show employees that they are fully committed to us, and that they want employees to be fully committed to the organization.”

– Mike F., plan participant for 8 years

What you need to know

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



Increase morale – Top employees value this benefit, and it helps them remain loyal and motivated.

Leverage incentives – Make optional employer contributions to retain or reward select key employees.

Receive tax deduction – The money that accumulates to finance the plan remains an asset on the balance sheet until benefits are paid, and the company receives a tax deduction.¹

Pay service fees/charge – There are fees for plan administrative services, and there could be a charge to earnings on assets purchased to finance the plan.



Save more – Take advantage of pre-tax deferrals (up to 100%), tax-deferred growth and compounded earnings.²

Decide how and when – Decide how much to defer the year prior to earning the income, then enjoy the flexibility to choose how and when benefits are paid.

Design an investment strategy – Tailor the plan with a variety of investment options.

Limited protection – This plan is unfunded and doesn't provide the same protection as a 401(k) plan.

Potential penalties – If the company doesn't comply with IRS rules, participants could face taxes and penalties.

Help your key employees save additional dollars for the future with a deferred comp plan from Principal®. It's a great way to tie them to your business, while keeping it strong and successful.



[Learn more.](#)

Contact your financial professional today.

¹ For taxable corporations.

² Contributions to the plan are subject to FICA when benefits vest. Plan participant deferrals may not be deductible in all states. Distributions are taxable to participants upon receipt.

Principal National Life Insurance Company and Principal Life Insurance Company, Des Moines, Iowa 50392-0001, principal.com

Before investing, carefully consider the investment option objectives, risks, charges and expenses. Contact a financial professional for a prospectus or, if available, a summary prospectus containing this and other information. Please read it carefully before investing.

The subject matter in this communication is provided with the understanding that 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.

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

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.

Not FDIC or NCUA insured

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