

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.<sup>1</sup>

**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.<sup>2</sup>

**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.

<sup>1</sup> For taxable corporations.

<sup>2</sup> 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.

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