

Keep your business strong by keeping your top talent happy

Benefits for them can give you a leg up in recruiting and retention

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

A 457(b) plan and 457(f) plan, two types of nonqualified deferred compensation plans, are smart solutions for you and your key employees. Both are designed to help your top talent save beyond 401(k) or 403(b) 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 457(b) plan before taxes. You can also make discretionary contributions to a 457(f) plan beyond the 457(b) plan limits. 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 taxable investments or the organization's cash flow.

457(b) and 457(f) comparison

	457(b)	457(f)
Pre-tax contributions	Yes	Yes
Earnings accumulate tax-deferred	Yes	Yes
Contribution types	Employee and employer	Employee* and employer
Contribution limits	Typically match 402(g) limits	No contribution limits
Vesting	Typically 100% vested at all times	0% vested until benefits paid
Covered by 409A	No	Yes

* Optional but with considerations for the employee and additional expenses for the employer.

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 into a 457(f) plan 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 organization 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 into a 457(b) plan, tax-deferred growth and compounded earnings.²

Decide how and when – Decide how much to defer into a 457(b) plan the year prior to earning the income (which can be changed monthly), 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 401(k) or 403(b) plans.

Potential penalties – If the company doesn't comply with IRS rules, participants in a 457(f) plan 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.

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