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FINANCIAL

Nonqualified Deferred Compensation Plan

The Challenge – Attracting and Retaining Key Executives

For most employees, 401(k) plans are an effective solution to retirement needs. However, key employees and company executives require more. At higher income levels, tax-advantaged savings opportunities are limited by the government. Your executives cannot save enough in a 401(k) or an IRA to maintain their standard of living in retirement. And because these tax-qualified savings alternatives are structured for retirement, they are inflexible in helping them meet other financial goals.

The Solution – Nonqualified Deferred Compensation Plans

Nonqualified deferred compensation plans are fast becoming a must in executive recruiting, and can be an effective part of your strategy to attract, retain, develop and motivate your most talented employees. These plans support your executives' financial goals, whether they are to:

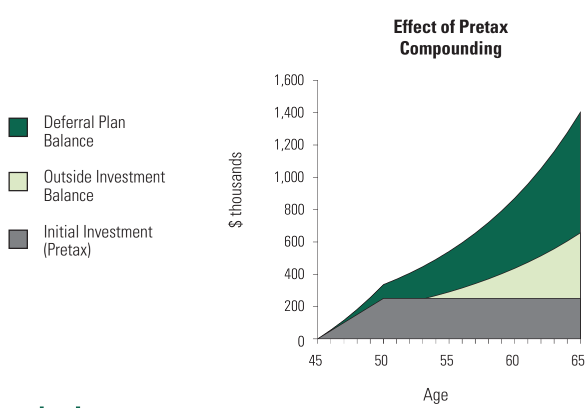
- Save to send their children to college
- Save for other planned expenses or purchases
- Increase net worth
- Increase retirement income

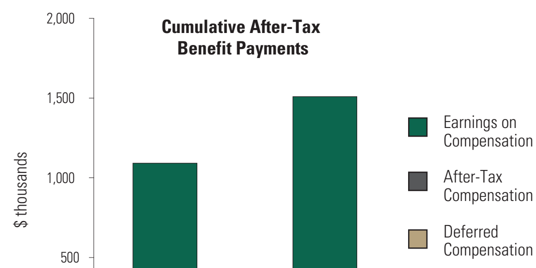
They also support your company's objectives, whether you intend to hedge plan liabilities, to offset or completely recover your plan costs, or to avoid most ERISA requirements and costs associated with qualified plans.

Compounding Earnings on Tax-Deferred Savings

The power of a well-designed nonqualified deferred compensation plan is simple: as in a 401(k), executives defer current taxes while also compounding tax-deferred earnings. Unlike a 401(k), there are no government limits on the deferred amounts. This valuable benefit allows your executives to start out ahead of other investments—and stay ahead.

Deferral Plan After-Tax Effect*





* Assumes a $50,000 pretax annual deferral for five years; outside investment and deferral account accumulate for 20 years at 10% pretax; benefits distributed over 15 years. Tax rates: 40% ordinary income; 15% capital gains.

Conclusion

Nonqualified deferred compensation plans are an expectation for many job seekers, not an item on a wish list. Mullin Barens Sanford can show you how providing this valued benefit at little or no cost can simplify the challenge facing your company.

The hypothetical outside investment values are not guaranteed nor are they a representation of past performance or a prediction of future results. Actual results may be more favorable, less favorable, or unfavorable, depending on future tax rates and investment returns. The deferral plan consists of amounts promised to the employee by the employer in the future, while the outside investment is owned by the employee.

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