

# ADVANCED MARKETS INSIGHT

## Maximizing Benefits in the Small Business Market: Executive Benefit Plan Review

*M Financial Group's  
Advanced Markets Insights  
are designed to help clients  
understand sophisticated  
planning strategies and  
their applications.*

*M Financial Group  
continues to lead the  
industry in insurance due  
care and client advocacy,  
providing valuable insight  
and analysis that delivers  
significant value to clients.*

Executive benefit plans serve as an effective tool to recruit, retain, and reward key employees.<sup>1</sup> Regular reviews of existing plans—performed by an experienced professional—can determine whether the plan is operating as expected and meeting the objectives of the employer. In a high-tax environment, every dollar counts, and plan reviews can help to ensure employers are maximizing the benefits of their existing plans.

Many factors impact the ongoing effectiveness of an executive benefit plan. Because circumstances and the needs of the employer and key employees change over time, a review of the plan benefits, participants, structure, and incentives will help ensure the plan continues to meet its objectives. Some of the most important components of an executive benefit plan review include:

Executive Benefit Plan Review	
Overall Plan Review	The plan can serve as a mechanism to recruit, retain, and reward key employees, alleviate shortfalls due to restrictions on qualified plans, and defer income tax payment. A review of the plan can ensure it is addressing these objectives and including all key employees.
Plan Assets vs. Plan Liabilities	It is important to review how the business will pay the benefits of the plan at the time of a qualifying event. Are their sufficient assets to meet future, promised liabilities?
Performance of Plan Funding Vehicles	The performance of life insurance and other funding mechanisms may change over time (relative to initial assumptions) both positively and negatively. This may impact the adequacy of the plan funding and require additional contributions or other corrective action.
Efficiency of Plan Funding Vehicles	The plan funding vehicle can provide benefits in addition to funding the liability, including cost recovery and key person coverage. An evaluation of the choice of funding vehicle can lead to significant overall plan improvements.
Third Party Administrator (TPA)	The administration of the plan is as important as the plan itself. TPA reporting should be timely, accurate, and complete to avoid adverse consequences to the employer and plan participants. In addition, the TPA should have qualified and experienced staff, as well as technology designed to maximize efficiency (i.e., online access to plan information and reports, automatic rebalancing, etc.).

An experienced team of advisors—including life insurance advisors, attorneys, accountants, and financial advisors—is integral to a successful review and the overall success of an executive benefit plan.



<sup>1</sup> Key employee as defined according to Internal Revenue Code, section 101(j).

## Conducting the Executive Benefit Plan Review

The right questions must be asked and addressed to ensure the objectives of the plan are being met. Considerations when conducting the executive benefit plan review include:

- Is the funding vehicle appropriate and does it maximize efficiency for the plan design?
- Do current funding provisions continue to meet the business owner objectives?
- Are the correct key employees identified and properly enrolled?
- Are there additional key employees who should be included in the plan?
- Are there policies or accounts in place for key employees no longer with the company who have no vested interest?
- Do participants understand plan benefits?
- Are beneficiary designations on file and accurate?

## Working with M Financial Group Member Firms Experienced in Executive Benefits

M Financial Group Member Firms are among the industry's most successful organizations and are made even more effective by their association with each other. Member Firms are elite leaders in the industry, committed to serving the ultra-affluent and corporate markets in the most ethically responsible and strategically sound manner.

Working with the experienced professionals of a Member Firm to facilitate an executive benefit plan review can be helpful in assessing whether the objectives and expectations of the employer and key employees are being met. Whatever the outcome of the findings, existing plan(s) can be tailored to meet current and future needs.

## For More Information

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