

Client Alert: Should you have a Fixed Crediting Rate Option in Your Deferred Compensation Plan?

With interest rates at historically low levels, and the Federal Reserve recently indicating rates will remain at these levels through 2024 in their [September policy statement](#), plan sponsors have begun to question what effect this may have on their non-qualified (NQ) plans. Most NQ plans have between 2-5 fixed income or bond investment options, as typically found in the qualified plan. Given the future expectation, are these investment options best suited for plan participants looking for a conservative, yet competitive return?

In such a low yield environment plan sponsors have begun to question whether they have an appropriate array of conservative investment alternatives in their deferred compensation plan fund menus. Specifically, do they have an option that addresses participants' desire for safety and security, but that also offers a competitive yet stable investment return?

NQ plan sponsors are taking a fresh look at insurance company general account options as a way to provide a low-risk, stable investment alternative to both their equity-based alternatives in their fund line-up, as well as traditional fixed income and money market options. These general account options offer capital preservation, often with guaranteed minimum crediting rates.

If you would like to discuss whether an insurance company general account option might be a good addition to your deferred compensation plan fund menu, please reach out to your Mullin Barends Sanford consultant.

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