

# THE TOP 5 executive BENEFITS

your organization should consider





Retaining top talent is a key objective for most businesses. To attract the most talented executives, however, you may need to go beyond the standard 401K plan and stock option package. Executive benefits provide your top employees with a premium level of benefits and compensation while offering tax advantages for employers and employees.

Read on for our take on the top five executive benefits you should consider offering at your organization.



# Non-qualified Deferred Compensation Plans

Because 401K plans limit the amount of money an employee can contribute on a tax-advantaged basis, they may not be enough to help your senior executives reach their retirement goals. Non-qualified deferred compensation plans delay payment of a designated portion of an employee's compensation until after retirement or employment termination. The employee is not required to pay income tax on those deferred amounts until he or she receives the funds.

## **Key features and benefits include:**

- Executives can defer a portion of their compensation until retirement.
- Employers can offer Supplemental Executive Retirement Plans (SERPs), providing additional funding for a defined benefit or defined contribution plan for top executives.
- Plans pay spouses in the event of the executive's death before retirement.
- Plans pay out in the event of disability.
- Plans avoid IRS requirements for qualified plans and require minimal ERISA compliance.
- Plans can be incorporated into an the organization's current qualified plan.
- Plans can be informally funded with life insurance policies and aid in the cost recovery through the income tax-free death benefit.

## 2. Individual Life Insurance



Life insurance provides a valued benefit for protecting employees, their families and the organization in the event of an unexpected death. Because executives tend to earn higher salaries, they often require more death benefit protection than their employer-sponsored group benefit programs provide. Offering your key employees additional life insurance benefits enables you to provide increased coverage that better protects their loved ones.

Source: Economic Policy Institute, "Taxes and Executive Compensation," August 14, 2012, Steven Balsam; American Bar Association, "Split Dollar Life Insurance and the Closely Held Business," Brody, Harris & Shenkman

## Executive Bonus Plans (aka Section 162 Plans)

You can help key executives purchase additional life insurance through an executive bonus plan. The executive owns the life insurance policy and pays the premiums; the company provides a bonus to cover the premium and tax liabilities. The executive can use the policy's cash value to supplement retirement funds or for other purposes.

### Key features and benefits include:

- Bonuses are considered taxable income for employees and are tax-deductible for employers.
- Employees control the policy and may take loans or withdrawals on the policy.
- In the event of the policyholder's death, his or her family receives the death benefit.

## Split Dollar Plans

Split dollar life insurance is an arrangement between an employer and an employee to share the costs and benefits of a life insurance policy. They jointly purchase the policy on behalf of the employee and share both the cost of the insurance premiums and the policy's death proceeds, cash value, and other benefits.

### Key features and benefits include:

- Executives can purchase life insurance coverage without paying the premiums; payment responsibility rests on employers.
- Employers receive back the amount of the premiums when the executive dies.

If you haven't reviewed your insurance plans in five years, you could be losing thousands of dollars each year.

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Schedule a policy review >>**

# 3.

## Key Employee Insurance

aka “Key Man” Insurance

If your organization employs a key individual who generates a significant share of the profits, or provides a unique and critical skill set, you should consider key employee insurance. Key Employee Insurance protects against financial losses stemming from the death or extended incapacity of an important member of your team. They enable you to offset the costs and losses you would incur—such as recruiting costs or decreases in business transactions—in the event of the loss of the key person.

### Key features and benefits include:

- Coverage may include life insurance, total personal disability (TPD) insurance or trauma insurance designated for business succession or business protection.
- The policy is owned by your business and its term does not extend beyond the key person’s service to the business.
- Key employee insurance does not provide reimbursement for the actual losses incurred; it provides a fixed monetary sum specified in the insurance policy.
- The employer can claim a deduction for the premium paid for the policy as a business expense under Section 37(1) of the Income Tax Act.



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## 4. Supplemental Disability Income Insurance

A disability that hampers an executive's ability to work can be a serious setback for the individual and their family. Disability income insurance can help replace a portion of the income if the employee becomes too ill or injured to work. A group long-term disability policy generally provides 60 percent of an employee's income, up to the designated maximum. However, typical disability insurance may not be enough to provide an adequate income for executives because they may hit a maximum benefit before they reach 60 percent of their salary. Your organization may wish to purchase individual supplemental disability income insurance to bridge the gap, bringing the executive's total benefit up to the same income percentage level as other employees.

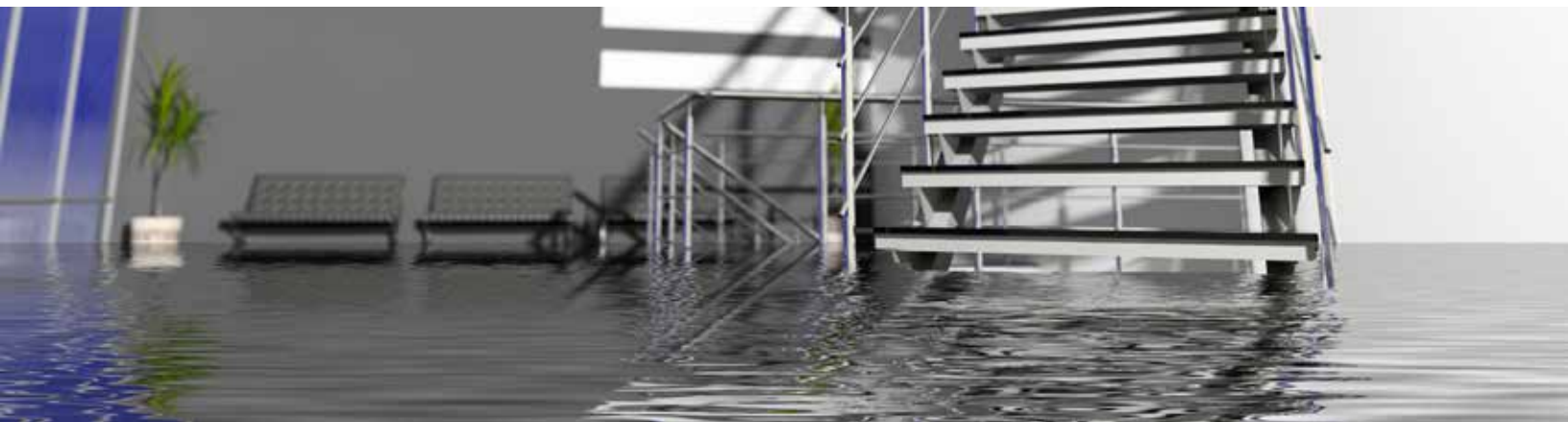


# 5.

## Business Continuity Insurance

Would the sudden death of a key salesperson or shareholder jeopardize your business plan? What would happen if a fire or natural disaster struck your workplace? As your organization considers its business continuity strategy, several types of insurance can guard against the unexpected and keep your business in the same financial position as if no loss had occurred.

- **Business Continuation Insurance** provides funds to compensate your organization in the event of the untimely death of a key sales person or executive.
- **Business interruption insurance** covers the loss of revenue your business would incur after a disaster, such as lost profits during rebuilding.
- **Buy-Sell Agreement Funding** provides the surviving family of a business owner with a smooth sale of the business interest. The life insurance that funds the agreement creates a sum of money used to pay your family the full value of your ownership interest in the event of your death.





# Next Step: Schedule a Policy Review

No matter what type of benefits you select for your executive employees, the plans should be reviewed periodically to ensure they are performing as intended. Changes in interest rates and market conditions can impact performance. Your company may also unknowingly be facing early termination of a policy or a gap in premiums that could require an additional investment to maintain coverage.

If you haven't reviewed your company's policies within the last five years, it's time to do so. The experts at CheckPoint HR can conduct a thorough review of your executive benefit programs. We can often save clients thousands of dollars while maintaining the same robust levels of coverage. [CLICK HERE](#) to schedule a policy review for your organization.

**Click [HERE](#) to  
Schedule a policy review >>**



# All you need for employee benefits, HR and Payroll in one convenient place

CheckPoint HR delivers an all-in-one solution that streamlines every part of the employee experience, from recruiting to retirement. With a team of experienced consultants, credentialed HR pros, and rock-star developers, we make your HR and employee benefit program work harder for your business.

## Technology

With your own custom benefit enrollment portal and private exchange, you'll minimize administrative burdens while providing additional benefit options and empowering employees to manage their own benefits. Integrated payroll and human capital management technology make your processes effortless and eliminate compliance concerns. You attract, inspire, and retain top talent. Work gets easier and productivity skyrockets.

## Strategy

As a CheckPoint HR client, you'll have access to some of the top minds in HR and benefits. To to achieve sustainable employee benefit savings across multiple plan years, you'll enjoy robust strategic planning, plan-remarketing, compliance support, and employee communications. You'll also receive guidance and support across the full spectrum of HR disciplines.

## Services

You'll stay on top of compliance and benefits administration requirements with built-in benefit administration services. We provide administrative support and advocacy services to employees while handling benefit processes quickly and accurately.

If you're ready to get more from your HR and benefit program, call 800.385.0331 and let's talk about your business goals.

