



**PACIFIC LIFE**

# The Great Resignation

The “Perfect Storm” for Nonqualified Plans



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**Strategies to retain  
and recruit key talent  
and reward highly  
compensated  
employees**

## **In this session:**

- What is driving a resurgence in NQDC plans?
- Why consider a NQDC plan?
- Key Features & Benefits
- Indicators a NQDC plan may benefit your client
- Benefits and Risks
- Client Profile
- Summary of KEAP
  - Resources & Support
  - Contact KEAP

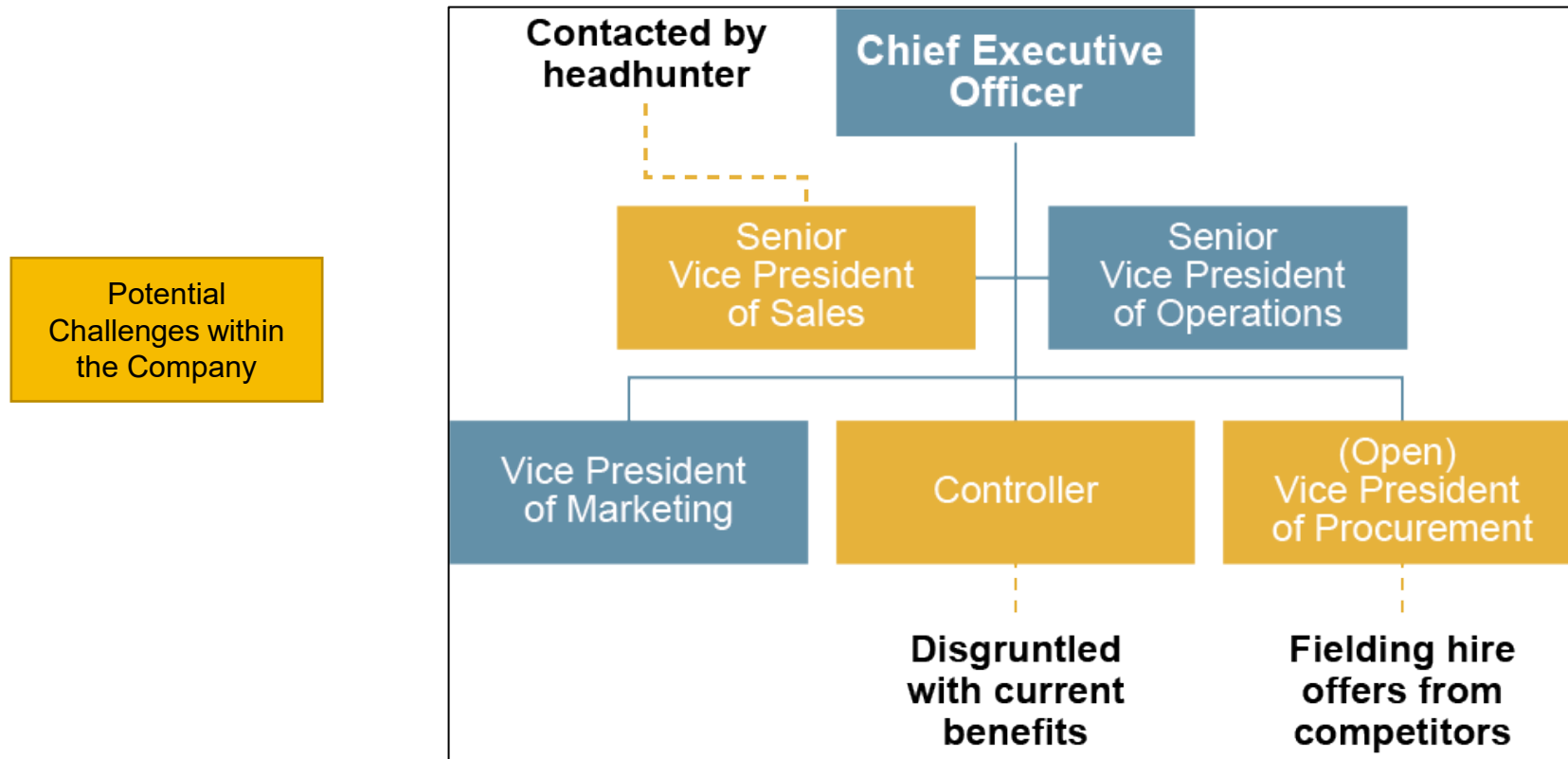
# What is driving a resurgence in NQDC programs?

- Evolution of workplace
- The Great Resignation/Migration/Renegotiation
- 401k non-discrimination testing restrictions
- Closely held - and liking it
- Ability to “discriminate” among participants
- Differentiation among peers

**The “Perfect Storm” for  
Nonqualified Plans**

# Why Consider a NQDC plan?

## The impact of losing a Key Employee

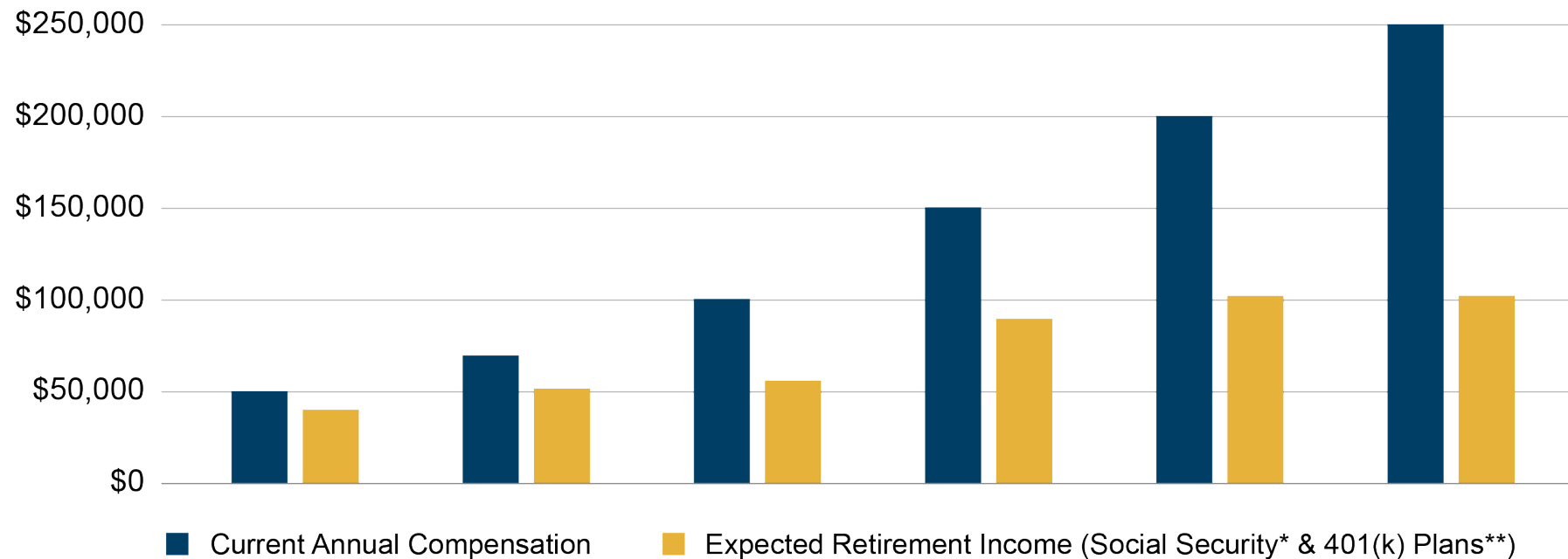


**Average cost of replacing a key employee: 400% of annual salary. \***

\* "Why Do Employees Really Quit Their Jobs? Research Says It Comes Down to These 8 Reasons," M Schwantes, Sept. 2017. <https://www.inc.com/why-do-employees-really-quit-their-jobs-research-says-it-comes-down-to-these-top-8-reasons.html>

# Why Consider a NQDC plan?

As current compensation increases,  
the **Retirement Gap** widens



Between qualified plans, such as 401(k)s, which limit savings ability due to contribution and income limits, and Social Security there may not be enough.

\*Benefits from Social Security are based on the 2019 Quick Benefit Calculator at [www.ssa.gov](http://www.ssa.gov). Calculations assume 1) an individual age 45 in 2019 will receive full Social Security benefits at age 67; 2) a worker's past earnings are based on the national average wage indexing series with a relative growth factor of 2%; 3) current earnings stay the same until age 67 and are limited to the 2019 taxable maximum of \$132,900. \*\*Benefits from the 401(k) plan assume 1) an individual age 45; 2) contributions made for 22 years; 3) annual contribution increase at a rate of 2%; 4) contributions are 10% of compensation, assuming the 2019 maximum contribution of \$19,000; 5) 401(k) assets accumulate at 8% and payout is based on a single life annuity purchased at age 67. The chart does not reflect any additional catch-up contribution provision available to participants age 50 and older.

# Key Features & Benefits

## For Participants:

### Tax Efficient Saving for Retirement and Other Financial Goals

- Pre-tax deferrals\* (subject to risk of forfeiture in the event of bankruptcy)
- Earnings accumulate tax-deferred
- Choose timing and method of future payments
- “In-service” distribution accounts address planning objectives (college, vacation, etc.)
- Plan distributions are not subject to IRS age-based penalties
- Taxed as ordinary income upon distribution

*\*Subject to risk of forfeiture in the event of bankruptcy*

## For Plan Sponsors:

### Cost-Efficient Benefit Program for Key Employees

- Employer flexibility over plan features
  - Participant eligibility
  - Deferral limits
  - Investment choices
  - Vesting schedule(s)
- Not subject to most of Employee Retirement Income Security Act (ERISA)\*\*
- Compensation deduction – upon distribution instead of at contribution
- Informal funding of benefit liabilities to reduce plan costs

*\*\*Subject to filing Notice with DOL but exempt from most costs associated with plan administration and compliance*

# Indicators a NQDC plan may Benefit your Client

- Experienced loss of Key Employees
- Desire to differentiate comp and benefit structures to attract talent
- Business continuity or growth objectives reliant on key employees
- Not interested in sharing/diluting ownership
- Employer with HCE's that are limited or excluded from qualified plan





## Benefits of Introducing these plans to your clients -

- Differentiator
- Expanding/deepening client relationships
- Conversations for additional corporate planning
- Enhancing strategic partnerships and COIs
- Enhanced revenue from NQDC plans
- “Halo” business opportunities with HCE’s in plan

## Risks if you do not -

- Not addressing the needs / issues of your client
- Opening the door to competition
- Lost revenue opportunities
- Exposure on existing business with your client



# Client Profile

- C-Corp structures provide the opportunity to benefit both shareholders and key employees
- S-Corp/Pass-Thru entities interested in retention of key employees
- Organizations with financial stability, strength and longevity
- Companies in highly competitive and/or highly compensated industries
- For-Profit private companies with 50+ total employees



# Summary of KEAP

- Platform and products support multiple types of NQDC Plan designs
  - Variations of Deferred Compensation
  - Alternative SERP designs
  - Phantom Stock Plans

**Turnkey, yet Customizable!**

- Platform access requirements
  - At least 2 Participants
  - \$200,000 or more annual funding
  - COLI or MF informal funding (1035 Exchanges apply to minimum)
  - Must be utilized in coordination with nonqualified plan arrangement / liability

# Summary of KEAP

## RESOURCES

- End to End Support
- Access to TPAs with SSAE 18 Certification
- Plan design expertise
- Informal funding analysis
- Marketing resources, collateral and client-friendly presentations
- Participant communications & online enrollment systems
- Plan adoption agreements and documentation
- Daily valuation and online access (employer and participants)
- Ongoing corporate reporting and communications
- Ongoing Asset & Liability matching and corporate cash flow analysis
- Ongoing COLI administration and policy management
- IRC Sec 409A Compliance support, filings and legal support

## ADVISOR ADVANTAGE

- KEAP provides heavy lifting: Design/Enroll/Administer
- Executive Benefit Specialists: 20+ years experience
- Maximum use of time / resources (limiting opportunity cost)
- Relationship Owner
- Retain compensation vs joint-partner or administrator split (no revenue splits)

# Contact KEAP

- Marketing & Development
- Case Strategy
- Discovery
- Plan Design
- Presentations
- Point of Sale Client Interaction
- Funding Design & Analysis
- Technical Resources
- Implementation Management
- Ongoing plan admin support



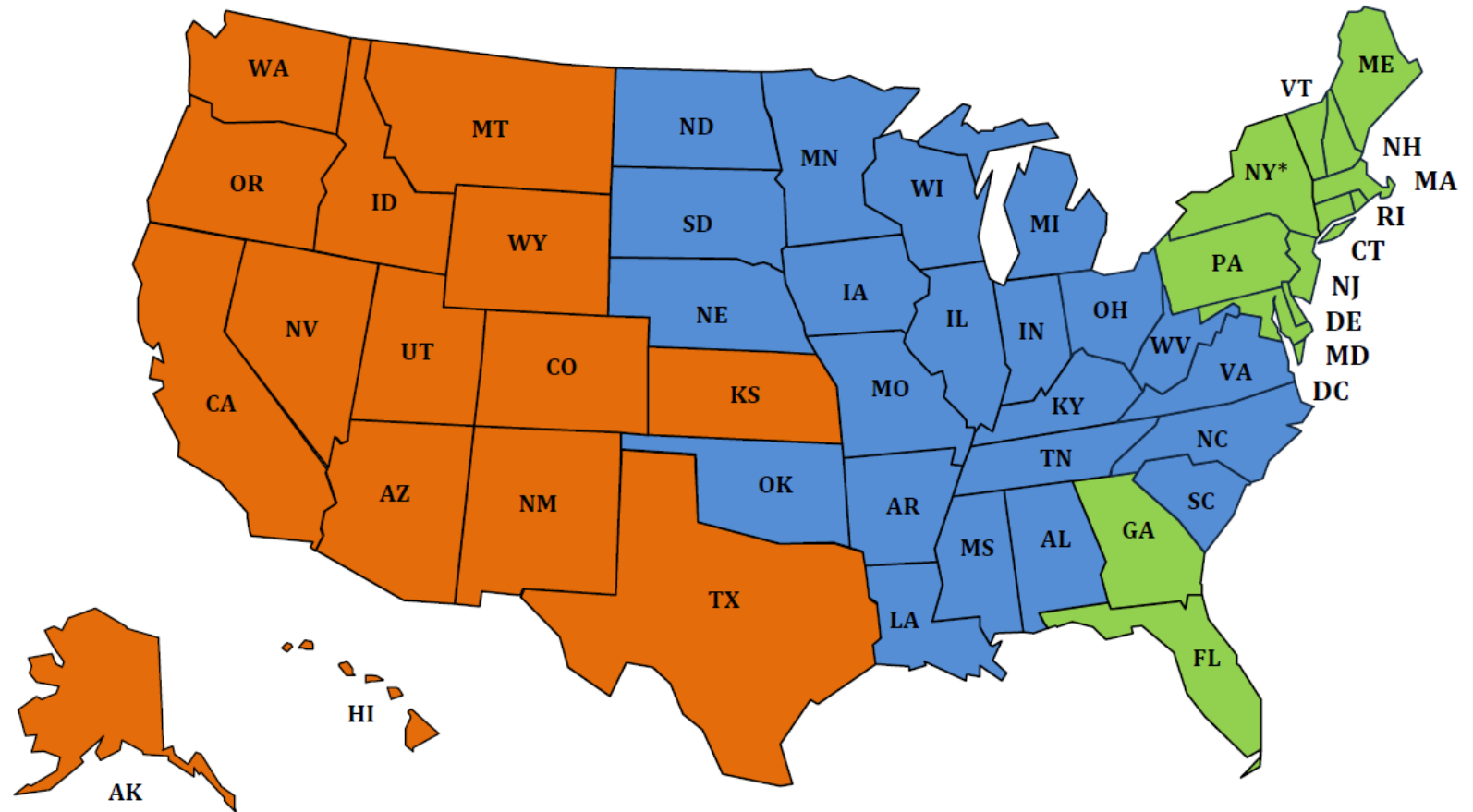
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