



## Defer your income today for more in retirement

Congratulations! Your employer is rewarding you for your key role in growing the business and its ongoing success with participation in its nonqualified deferred compensation (NQDC) plan.

### Have you maxed out your qualified retirement plan contributions?

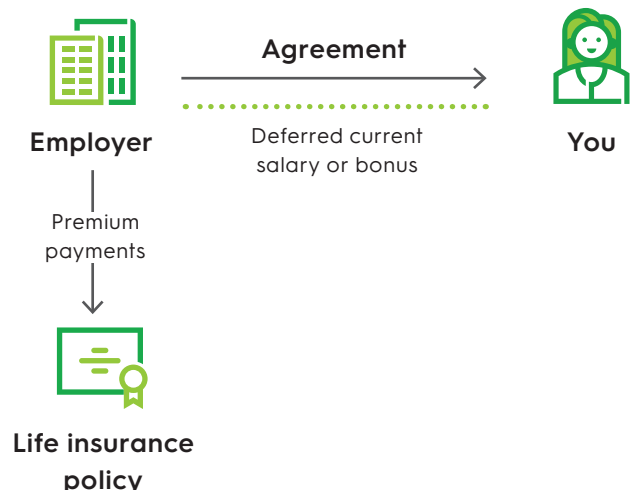
The NQDC plan allows you to defer either a portion of your salary or a bonus. It lets you put money away for retirement on a pre-tax basis, in addition to your current contributions to your 401(k) or other qualified retirement plan.

### How does nonqualified deferred compensation work?

#### During your working years: salary and/or bonus deferral

You and your employer enter into an agreement specifying:

- The time at which you can elect to defer your salary and/or bonus.
- The conditions under which your deferral will be paid to you. Conditions may include separation of service, death, disability, unforeseeable financial emergency, change of control of employer or a predetermined date.

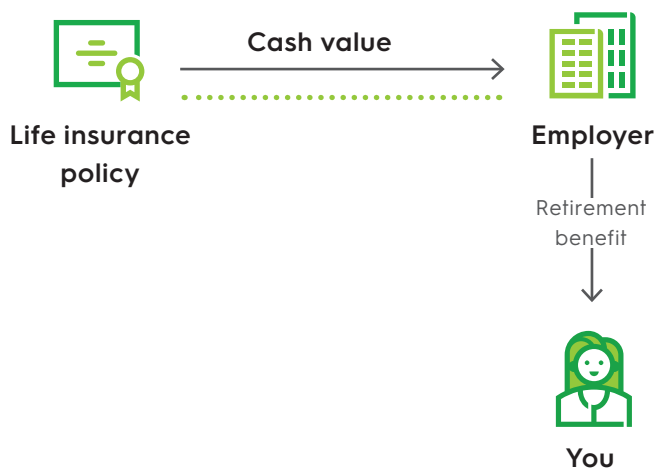


Your employer may informally fund this retirement benefit obligation with a cash value life insurance policy on your life:

- The policy would be owned by your employer.
- The company would pay the premiums and be the beneficiary of the policy.
- Your retirement benefit may be paid using cash value accumulated in the policy.

### During your retirement years: retirement benefit

Once you've satisfied the agreed-upon conditions for NQDC payout, your employer will pay the retirement benefit to you. This payment will be considered income, and you will need to include it in your income taxes.



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## Why choose a nonqualified deferred compensation plan?

### Benefits

- Reduces your current taxable income.
- Overcomes qualified plan limitations if you have maxed out your 401(k)s or other qualified retirement plans.
- Ability to defer your income until your retirement, when you may be in a lower tax bracket.
- Unpaid retirement benefit will be paid to your dependents if you die.

### Considerations

- Future retirement benefit is considered taxable income when received.
  - Plan assets are subject to the claims of your employer's creditors.
  - You may not need to defer income taxation.
  - Your employer's contributions are not required.
  - If the company uses cash value life insurance to informally fund the NQDC, you will have no access to the cash value or death benefit of the policy.
  - If funding with life insurance, your health may be subject to the insurance company's review and policy qualifications.
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## Learn more

Talk to your employer today about how the NQDC plan's tax benefits can protect you today – and work to accumulate assets for tomorrow.

Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

Life insurance products contain fees, such as mortality and expense charges (which may increase over time), and may contain restrictions, such as surrender periods.

Policy loans and withdrawals may create an adverse tax result in the event of lapse or policy surrender, and will reduce both the surrender value and death benefit. Withdrawals may be subject to taxation within the first fifteen years of the contract. You should consult your tax advisor when considering taking a policy loan or withdrawal.

This information is a general discussion of the relevant federal tax laws provided to promote ideas that may benefit a taxpayer. It is not intended for, nor can it be used by any taxpayer for the purpose of voiding federal tax penalties. Taxpayers should seek the advice of their own advisors regarding any tax and legal issues specific to their situation.

The Policy Design you choose may impact the tax status of your policy. If you pay too much premium your policy could become a modified endowment contract (MEC). Distributions from a MEC may be taxable and if the taxpayer is under the age of 59½ may also be subject to an additional 10% penalty tax.

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F71834-118 Rev 3-2022 DOFU 3-2022  
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