

Supplemental employee retirement plan

Provide additional retirement benefits for key employees who have reached 401(k) contribution limits

Your challenge

Your top concern is driving your company's growth and profitability. Recruiting and retaining top talent in your industry can put you ahead of your competition. But are your retirement benefits rewarding key employees' and fostering their loyalty?

A potential solution

Although you may offer a qualified retirement plan, a supplemental employee retirement plan (SERP) allows you to make retirement plan contributions beyond what federal plan limits allow. A SERP provides key executives with a promise to pay future retirement benefits, in exchange for their continued employment.

**Because your
business is
your life**

Why is life insurance an ideal tool for this strategy?

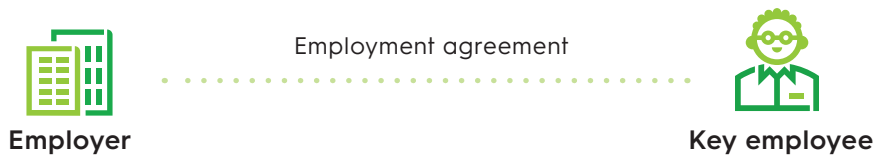
With the executive's consent,² permanent, cash value life insurance can be an excellent resource for accumulating funds needed to pay future obligations:

- **Your company is the owner and beneficiary of the life insurance policy.**
The key employee is typically the insured but has absolutely no rights or ownership in the policy.
 - The premiums you pay into cash value life insurance policies can grow tax-free.
- **Your company need not rely on company assets or cash flow to pay retirement benefits.** Through withdrawals and loans, your company may choose to pay the promised benefits out of the policy's cash value on a tax-advantaged basis.
- If held until the insured dies, the policy's **death benefit is paid to your company tax-free.**

How does a supplemental employee retirement plan work?

1. You and your key executive implement an agreement, drafted by a licensed attorney, specifying:

- The retirement benefit to be paid.
- The employer's contribution.
- A vesting schedule, if desired.
- Notice and consent requirements.²
- Designated beneficiaries.



2. Company determines how the plan will be funded:

- The plan must be unfunded in order to obtain the preferable tax and ERISA treatment.
- The company should consider an informal funding method, such as permanent life insurance, to meet its obligations under the plan.



If the company chooses to pay retirement benefits using existing funds and hold the policy until the insured dies, internal gains are not taxed.

Why use a supplemental employee retirement plan?

Company benefits

- Possible retention of key executives by providing retirement benefits
- You control which employees can participate
- Future retirement benefit is determined by both you and the key executive in the agreement
- You can vary the benefits depending on the employee
- Life insurance can provide a tax-free death benefit to the company that can be used for survivorship benefits and cost recovery, if the employee dies while the policy is in effect

Key employee benefits

- Employer-funded plan
- Contributions to the SERP are not subject to qualified plan contribution limits
- Protection for key employee's family through survivorship benefit
- Employee feels rewarded for loyalty and contributions to the business

Why not use a supplemental employee retirement plan?

Company considerations

- No current income tax deduction
- More administration than other executive compensation strategies; company may need to engage a third party administrator
- Owner may need to increase premium payments to keep the policy from lapsing
- Cash value withdrawals reduce the policy death benefit and surrender value; if the policy lapses, amounts withdrawn or loaned (in excess of premiums) could be taxable

Key employee considerations

- Future retirement benefit is considered taxable income when received
- Company may not be around at time of bonus payout
- Retirement benefits are subject to company creditors

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we're here for family.
And we're here
because of it.**

Family doesn't have to branch from your tree, but it always shares your roots. Roots woven by common understanding, shared values and mutual respect. Those who believe a rewarding life is really about being present in the here and now, and that your financial picture should support the everyday moments as much as the major milestones. That's why our insurance, investment and retirement solutions give you the confidence to focus on what's truly valuable: banking memories with those who matter most.



Learn more

Want to ensure the ongoing success and growth of your business? Contact your financial professional today to find out how you can implement a SERP.

1. Key employees must be either highly compensated employees or management.

2. A life insurance policy informally funding the nonqualified deferred compensation (NQDC) plan is subject to the notice and consent rules for employer-owned life insurance (EOLI). Failure to comply with those rules will subject any death benefit paid to the employer to income tax.

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.

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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