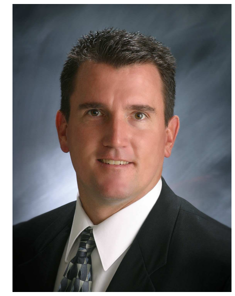
# Myths and Truths Of Executive Benefits



with Kirk Swartzbaugh

**When you hear** the words "Executive Benefits," what's your immediate impression? Do you think these are good for companies? Or do you feel like it's just another form of discrimination in favor of the high-earners? I'm hoping the information below will give you a few things to think about on the subject.

Often times, Executive Benefits carry negative connotations with them. In reality, many of the plans that we implement actually mitigate or prevent reverse discrimination issues. For instance, the $18,000 annual maximum contribution (w/ $6,000 Catch up Contribution for those over age 50) to a 401(k) in 2015 will allow most employees to save enough pre-tax monies to replace a majority of their income upon retirement. For high earners, the $18,000 (or $24,000) may not help them replace enough of their income upon retirement. In this case, we design Non-Qualified Deferred Compensation (NQDC) Plans to allow them to defer more of their own monies to prepare for their retirement. Those NQDC monies are subject to their personal creditors as well as their corporation's creditors, which should encourage the executive to keep/leave the company in good financial condition so they can get their monies back out when they leave the company or retire. If we add an employer contribution or match, the contribution usually comes with a vesting schedule, which encourages the employee to stay with the company, creating a "Golden Handcuff".

We also design combination Group and Individual Long-Term Disability (LTD) Plans to ensure a company's high earners can have the same 60% income replacement that the majority of the company's workers receive from the basic Group LTD plan . As I always say, "Nobody's rich, we're all simply breaking even at different levels." Many high earners of a company are just as extended as the rest of the employees. Some people ask what compensation (salary, commission, bonus, etc.) should be covered in an LTD plan - which is easy to answer. If an individual is living off the compensation, we should protect it.

Executive Long-Term Care Insurance Plans have risen into prominence over the last 10 years; but mostly in C-Corporations and for non-owners in S-Corporations/LLCs where the premiums are tax-deductible to the firm, not includable as income to the executives, and the benefits will be received tax-free. As you can see, there are significant tax reasons to have these payments come from the corporation, not the individual.
We've also seen more requests from companies to assist the executives with their personal planning and wealth management. Some companies even pay a portion of the attorney and financial advisor fees to help spark the process. Many executives aren't finding the time to get to their planning done due to their devotion to their companies.
As you can see, most of the Executive Benefits that we deal with are designed to protect, attract, and retain key employees of the company. This can range from a CEO to a key salesperson. In most cases, the company may not exist without these key people. Most people in the industry view Executive Benefits as a necessary tool to compete for top talent and retain that talent for years to come.

For more information, please contact your trusted advisor at Swartzbaugh-Farber – 'Client Centered – Client Advocates™'.