

Executive Benefits & Compensation Planning

Executive Compensation Packages

Like many other businesses, your company may employ key executives who are critical to your success. Retaining these important individuals can be challenging in today's competitive environment.

Types of Executive Benefits Plans

There are many different types of executive benefits plans designed to help you compensate and encourage them to remain with your company for many years. Below are executive benefits and executive compensation packages you may want to consider offering your key employees.

Nonqualified deferred compensation plan

A nonqualified deferred compensation plan lets you set aside funds to benefit a select group of highly compensated managers. You can design a deferred compensation plan for employee pretax salary deferral, employer contributions or both. You can also specify when benefits are to be paid (e.g., after the passage of a certain number of years or at retirement).

Executive bonus plan

An executive bonus plan is a way to compensate select employees, regardless of their income and position, by paying a cash bonus to the employee or by directly purchasing an investment on the employee's behalf. The bonus is a tax-deductible expense to the employer and taxable compensation for the employee.

Executive life insurance

Key executives who are highly compensated often have unique life insurance needs. To protect their families, they need a way to replace their compensation in the event of premature death.

Cross-Purchase Plan

In this plan each partner buys a life insurance policy on each of the other partners. The partnership itself is not a participant in the agreement. Each partner owns, pays the premium payments and is the beneficiary of the insurance policies on the other partners in an amount equal to his share of the purchase price set forth in the buy-sell agreement. The proceeds are used to purchase the partner's business interest from the heir's of the deceased.

Entity Plan

In this plan partners enter into an agreement with the partnership that owns, pays the premium payments and is the beneficiary of the policies. When a partner dies, his/her interest is purchased from his/her estate by the partnership at the buy-sell agreement price and the interest is then divided among the surviving partners in proportion to their own interest.

Buy –Sell Agreement

A well-crafted buy-sell agreement can help families and business associates retain control of a business and protect its value in the event of retirement, death or disability. With proper funding, a buy-sell agreement can help assure there will be a ready market for the business at a time when you or your family may require a source of retirement income, estate liquidity or family income. A buy-sell agreement can also help minimize conflicts that may occur and establish a value for the business for federal estate tax purposes.

The purpose of buy-sell agreements is to protect, preserve and pass on the control and value of a family owned or closely held business at the retirement, death or disability of an owner. The control and management of the business will be continued uninterrupted by the surviving owner(s), and a fair price will be paid to the stockholder or his/her family or estate for the value of his/her interest. Buy-sell agreements may be triggered by the disability, retirement or other termination of service by an owner, or by an owner's attempted sale, gift, pledge bankruptcy or other transfer of ownership.