Narrowing the Retirement Income Gap

Supplemental retirement programs are critical to an organization's ability to attract, retain and motivate key executive talent – and ultimately to the success of the organization. The most prevalent of these programs is a Deferred Compensation Plan, which in its most basic form, is an arrangement in which a portion of an employee's earnings is paid out at a future date.

Why This is So Important?

The future financial needs of an executive continue to increase due to longer expected lifetimes and the rising cost of medical and long-term custodial care. Unfortunately, qualified retirement plans, with annual dollar limits, restrict the percentage of income an executive is able to save as compared with a non-highly compensated employee. For example, in 2010, an employee earning a $60,000 salary can defer 27.5% of that into a tax-qualified plan; while an executive earning a $250,000 can only defer 6.6% of salary.1 Implementing a deferred compensation program can close this gap by allowing executives to save for retirement and retain the tax advantages of a qualified plan.2

Designing the "Right" Plan

While the need for and benefits of implementing a deferred compensation program may be clear, the most appropriate plan and program design may not be. These can be tailored to complement current benefits and to fit your organization's culture, business objectives, tax status and profile by allowing you the flexibility to determine who can participate, how (or if) the plan is funded, and ultimately how it is accounted for on the financial statements. For example, where a company is supplementing retirement programs with equity grants, a deferred compensation program will further allow an executive to diversify their personal wealth accumulation portfolio. Whether solutions are to modify an existing program or implement something new, Bostonian Group's Executive Benefits Solutions Practice can help you design, implement and service a successful Deferred Compensation plan.

To learn more, contact John Mancuso directly at (617) 587-2339.

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1 Based on maximum qualified plan contribution of $17,000 (2012).

2 These advantages include lowering your current taxable income and benefitting from a tax-deferred investment vehicle.

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