

Recruiting, Rewarding and Retaining Key Employees

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For any business, employees are the single most valuable asset. As a means to recruit, retain, and reward these valuable employees, many businesses want to provide additional benefits. *Non-Qualified Benefits* are a great way to do this.

For key employees, the business may be willing to implement special benefit plans that provide incentives to remain with the company. The same can be said if the business is trying to attract new employees for key positions critical to the long term success of the business.

Non-Qualified Deferred Compensation

Non-Qualified Deferred Compensation arrangements are generally created by a company as a way to recruit, retain, and reward a key employee. There are several types of non-qualified arrangements that a company can create.

Deferred compensation arrangements provide employers with a tool that rewards selected participants by helping them create financial security for retirement, death, and/or disability. A portion of the employee's income is paid out at a later date after which the income was earned. The participants are generally one or more hand-picked, highly-compensated employees (or sometimes independent contractors). A non-qualified arrangement may be used



as a supplement to, or as a substitute for, a qualified retirement plan.

Supplemental Executive Retirement Plan

A Supplemental Executive Retirement Plan (SERP) is a type of employer-sponsored, non-qualified deferred compensation plan, available only for highly-compensated executives. Simply stated, a SERP is an arrangement between the employee and employer, where the employer promises to pay the employee additional retirement benefits in the future.

Executive Bonus Plan

An Executive Bonus Plan (also known as a "162 Bonus Plan") is an arrangement where the employer pays a bonus to the executive by paying the annual premium on a life insurance policy. The executive will be the owner of the policy and has the right to name

beneficiaries. The executive will also own any potential policy cash value and will be able to access it at retirement via tax-favored loans and withdrawals.

Restricted Endorsement Bonus Arrangements (REBAs)

A REBA is a more specialized form of executive bonus plan where the employer pays a bonus to the executive by paying the annual premium on their life insurance policy, however, a restriction is attached to the policy that prevents the employee from accessing cash value or surrendering the policy until an agreed upon date in the future. This restriction is commonly referred to as the “golden handcuffs,” because it gives the employee incentive to stay with the company.

The chart below outlines the level and ease, control and overall benefit of the above plans.

FACTOR	EXEC BONUS	REBA	NQDC	SERP
Employer Tax Deductibility	High	High	Low	Low
Employer Control	Low	Medium	High	High
Employer Cost Recovery	Low	Medium	High	High
Employee Tax Deferral	Medium	Medium	High	High
Easy Administration	High	Medium	Low	Low
Employee Participation	Medium	Medium	High	Low

Conclusion

The key benefit in these plans is flexibility. Not only can employers provide generous benefits to select key employees, including different levels of benefits for each employee, but the arrangement can be further customized to suit many situations. No government-imposed minimum vesting or funding standards apply, and paperwork and administrative costs are minimal. While these plans are advantageous for both the employer and employee, there are impor-

tant considerations that must be accounted for and we suggest your tax professional and insurance broker be consulted prior to implementation. ■

Using Life Insurance to Navigate Retirement and Beyond

Even if you have maxed out contributions to qualified plans (i.e., 401ks, IRAs) you may need to find alternatives to supplement income to maintain your current lifestyle in retirement. This is especially true if you are considered a high income earner. Most Americans still remain underinsured; in fact, 30% don't have any life insurance at all.

Permanent life insurance can be the solution needed to protect you and your loved ones while rounding out your retirement plans and allowing you to maintain your desired standard of living.

The Solution

Cash Value Life Insurance (CVLI) can be a powerful tool to help you achieve your goals. More specifically, it is designed to provide affordable death benefit protection (assuming the policy is in force at the death of the insured) but it also provides financial flexibility.

Because cash values can grow income tax free inside the policy, and can be accessed tax free by using a combination of loans and withdrawals, it has the ability to provide more financial options and greater financial flexibility during your lifetime. Additionally, distributions from a life insurance policy are not considered in calculating Affordable Care Act taxes on investment income, income taxes on Social Security benefits, or Medicare premiums.

- **Protection:** During working years, the death benefit can cover income replacement and protect your family or business from financial hardship. In retirement and beyond, it can provide a lasting legacy to children and grandchildren.

2019 Risk Management Seminar Series



- **Flexibility:** As the policy owner, you have the ability to access the policy's cash value when you need to. Unlike qualified plans, there are no required minimum distributions at age 70 ½, and during the accumulation period there are no contribution limits.
- **Tax Diversification:** A permanent life insurance policy can deliver tax free income, income tax free death benefit, and tax deferred growth. There are also no penalties for early access to cash.

Permanent Insurance Living Benefits

Riders can be added to your policy as a cost effective way to enhance your coverage through all stages of your life.

Here are three popular options:

Healthy Engagement Rider - You can earn rewards and discounts for living a healthy lifestyle. You have the options to engage in the program to help increase the cash value that is available at retirement. While the goal is to have a long retirement, a healthy retirement is just as important.

Critical Illness Benefit Rider - This rider can provide an income tax free lump sum benefit in the event that you are diagnosed with a qualifying critical illness that could have a dramatic effect on your finances during your working years.

Long Term Care Rider - A Long Term Care event typically occurs during retirement years. If you need to cover the associated costs, this rider will provide a monthly acceleration of the death benefit to help coverage expenses.

Final Comment

Recruiting and retaining key employees is critical to a company's success. Understanding the various Non-Qualified Benefits and providing them where appropriate is one way to reward those employees. ■

Sexual Harrassment Prevention Training

Wednesday, Feb. 27th

7:30am Registration

8:00am - 10:00am Program

Downtown San Diego Office

Performance Management for Supervisors

Wednesday, March 27th - Downtown

Thursday, March 28th- North County

7:30am Registration

8:00am - 10:00am Program

This year we are offering certain seminars in our North County office (5857 Owens Ave., Suite 300, Carlsbad, 92008.

To register, click on the 'register now' button in the announcement email, or contact Bethany Mongold at Mongold@cavignac.com or call 619-234-6848.

Spotlight On



Cavnac & Associates is proud to support local and non-profit civic organizations, including The David's Harp Foundation



Our Mission:

To inspire, educate and empower "at-risk" and homeless youth to achieve academic success through music education, sound engineering and multimedia production.



For more information, go to www.davidsharppfoundation.org

Live Well, Work Well

February 2019

Health and Wellness Tips for Your Work and Life
Provided by Cavnac & Associates



Looking to Improve Your Heart Health? Reduce Your Stress

According to the American Heart Association (AHA), more than 1 in 3 women has a form of cardiovascular disease. And, heart disease is the leading cause of hospital stays for men in the United States. Due to the prevalence of the disease, the AHA recognizes each February as American Heart Month in hopes of raising awareness about the disease and how to prevent it.

Stress and Heart Health

While there are risk factors that contribute to heart disease that you can't control, there are many things you can do to maintain your heart health. One of those things is to reduce your stress.

When stress is excessive, it can contribute to a host of health problems, including high blood pressure. If high blood pressure goes untreated, it can result in heart disease.

Reducing Your Stress

Taking steps to reduce your stress will improve your overall health. Try these tips:

- Plan and prioritize your most important responsibilities.
- Listen to relaxing music to help you calm down.
- Take time off from work to clear your mind.
- Exercise regularly to get your blood and endorphins flowing.

When to Seek Help

If the stresses in your life become more than you can bear or manage with these simple techniques, consider seeking professional assistance. A knowledgeable professional will be able to work with you to devise time management skills and stress-reducing techniques.

Gingerly Quinoa with Green Beans

- 1 cup quinoa
- 1 ½ cups water or broth
- 2 cups green beans
- 2 ½ Tbsp. lemon juice
- 1 Tbsp. olive oil
- 1 Tbsp. sesame oil
- 2 Tbsp. soy sauce
- ¼ tsp. ground ginger

Preparations

1. Toast quinoa in a dry skillet over medium heat, stirring constantly for about 3 minutes.
2. Put quinoa in a medium pot and add water or broth.
3. Bring to a boil, then let simmer until all of the water is absorbed and quinoa is tender (10-20 minutes).
4. Set aside and leave uncovered to cool.
5. While quinoa is cooling, microwave the green beans until just tender.
6. Rinse in cold water to stop the cooking process.
7. In a large bowl, combine the quinoa, olive oil or cooking oil, sesame oil, green beans, lemon juice, soy sauce and ground ginger. Stir well.
8. Season with salt and pepper.
9. Serve at room temperature.

Makes: 6 servings

Nutritional Information (per serving)

Total Calories	239
Total Fat	9 g
Protein	7 g
Carbohydrates	33 g
Dietary Fiber	6 g
Saturated Fat	1 g
Sodium	486 mg
Total Sugars	2 g

Keep Your Heart Healthy Through Exercise

Did you know that exercising regularly could help you fight off chronic conditions and diseases? Exercise can help control your blood pressure, blood sugar and weight, raise your “good” cholesterol, and prevent diseases such as cancer, Type 2 diabetes and heart disease. According to the AHA, you should do these three exercises to improve your heart health:

1. **Aerobic activity:** Get at least 150 minutes of moderate-intensity aerobic activity (e.g., briskly walking) or 75 minutes of vigorous-intensity aerobic activity (e.g., running) every week.
2. **Muscle strengthening:** Incorporate muscle-strengthening exercises at least two days a week. For the purposes of general training, focus on two to three upper body and lower body exercises. Abdominal exercises are an important part of strength training as well.
3. **Flexibility training:** Flexibility training is important too, but it is frequently neglected, resulting in increased tightness as you age and become less active.

Fast Facts About Your Heart

Over 750,000 Americans die each year due to heart disease. That’s one death every 40 seconds.



2 Heart-healthy Indulgences You’re Sure to Be Excited About

You may have heard whispers of dark chocolate and red wine being good for you and thought it’s too good to be true. Good news—the rumors are true. That’s right, there is some science behind the claims that these two indulgences can be good for your heart health.

According to researchers, red wine contains an antioxidant called resveratrol, which can help reduce inflammation and improve heart health. Dark chocolate contains a different antioxidant, called flavanol, which helps reduce blood pressure and improve heart health.

Now, this doesn’t mean you should go out and buy red wine and chocolate and splurge. Talk to your doctor to determine what enjoying these “in moderation” means for you.