

# NYLEX News

*Customized Executive Benefit Plans*

## **MAKING A DIFFERENCE FOR KEY EMPLOYEES WITH A TAX-ADVANTAGED SAVINGS OPTION**

With a growing number of companies facing an uphill climb in a recovering economy, the need to find and retain outstanding talent is more critical than ever. Many employers are looking for new ways to reward top executives without committing to large, ongoing contributions for rank-and-file employees. An employer-sponsored, tax-advantaged, personal savings plan for selected employees may be the solution.

The top heavy rules for qualified plans and the cap on Social Security benefits discriminate against highly compensated employees, forcing them to look to personal savings to provide a larger percentage of their retirement income.

To address these challenges, NYLEX Benefits has developed a new plan for selected employees called *iSERP*<sup>™</sup> (Individual Secured Executive Reward Program).

### **THE *iSERP* SOLUTION**

The concept and execution of the *iSERP* is simple. The employer provides periodic cash bonuses to the employee that are dedicated to pay premiums for an institutionally-priced, permanent life insurance policy specially designed for executive benefit programs.

*(continued page 2)*



### ***iSERP* Video**

**Introducing the *iSERP*!**  
Learn about our innovative employer-sponsored, tax-advantaged, personal savings plan for selected employees. Play the video at [NYLEXBenefits.com](http://NYLEXBenefits.com)

## **SURVIVOR BENEFIT PLANS: SIMPLE, FLEXIBLE AND INEXPENSIVE**

In today's competitive employment environment, employers are searching for ways to differentiate their employee benefit programs from the standard packages offered by other employers. Many benefit packages feature four key benefits: retirement, health, disability and group term life insurance. Retirement benefits can be one of the greatest concerns to employees and this is one area where employers frequently seek to distinguish their benefits from the competition.

Employers typically provide nonqualified supplemental retirement plans for their highly compensated, most valuable employees. But what about protecting the employee's family in the event of the employee's unexpected premature death?

### **PRE-RETIREMENT SURVIVOR BENEFITS**

Providing a pre-retirement survivor benefit plan for your employees shows that you care not only for them, but their family. The unexpected loss of a primary wage earner can be

*(continued page 3)*

Inside this issue:

1. Making a Difference for Key Employees with a Tax-Advantaged Savings Option
2. Survivor Benefit Plans: Simple, Flexible and Inexpensive
3. Deferred Compensation Plans Still Make Sense



## MAKING A DIFFERENCE FOR KEY EMPLOYEES WITH A TAX-ADVANTAGED SAVINGS OPTION (cont.)

*Highly compensated employees are discriminated against with top heavy rules for qualified plans and a cap on Social Security benefits. These employees are forced to look to personal savings to provide a larger percentage of their retirement income.*



The bonus is currently taxable to the employee and deductible by the employer. The employee may be able to add voluntary contributions on top of the employer contributions. The life insurance cash values can provide a source of cash to meet specific needs like a home purchase, college tuition, unexpected expenses, or to supply tax-free cash flow\* during retirement.

The *i*SERP policy is owned by the employee, making it a highly attractive, portable benefit. The employee is the insured and names the beneficiary of the *i*SERP policy. The *i*SERP policy is not subject to the claims of the employer's creditors, and in most states, receives protection from claims of the employee's creditors.

### SUMMARY

The life insurance provides your selected employees with protection and the ability to accumulate cash values that can help them achieve financial security. Consider how adding an *i*SERP can differentiate your benefits package from the competition.

*\*Using policy cash value withdrawals or policy loans. Policy loans accrue interest. Loans and withdrawals reduce the death benefit and cash value.*

## DEFERRED COMPENSATION PLANS STILL MAKE SENSE

*For more information, please see the [September 2009](#) issue of NYLEX News: "Deferred Compensation: To Defer or Not to Defer?" We've looked past the hype surrounding this issue to help you make a sound decision.*

[NYLEXBenefits.com](http://NYLEXBenefits.com)

Eighty-five percent of Fortune 1000 employers who participated in a December 2009 study\*\* indicated they currently have employees deferring income in a nonqualified deferred compensation ("NQDC") plan. Prior to the recession the percentage was slightly higher, but NQDC plans are still popular benefit plans for executives.

Some executives have expressed concern about deferring income when it seems likely that personal income tax rates will increase. However, it can often make more sense to defer income and pay tax at ordinary rates when deferred funds are distributed (even if tax rates are higher than they are now), than to invest after-tax money today to generate future gains (even if some of those gains will be taxed at capital gains rates).

Deferred compensation arrangements still have the advantage of putting more money to work over time. Investing money after it has been taxed decreases your earnings potential from the outset. The longer the deferral period, the greater the tax increase must be before the deferral advantage is lost.

*\*\*Clark Consulting, Inc. "Non-Qualified Plans Endure" study December 2009.*

## **SURVIVOR BENEFIT PLANS: SIMPLE, FLEXIBLE AND INEXPENSIVE (cont.)**

devastating for a family. Many families, even those with significant income, may actually live “paycheck to paycheck”. With the loss of a loved one also comes the loss of regular income – paychecks stop.

Group term life insurance has long been the standard for providing pre-retirement survivor benefits. However, group term life insurance does not provide an ongoing income stream, only a lump sum payment at death. Add to this the fact that group term life insurance is tax-free to the covered participant only up to a maximum amount of \$50,000. The cost of pre-retirement coverage in excess of \$50,000 is taxable to the covered participant based on the IRS published Table-1 rates.

Group term life insurance plans can create taxation for the covered participant which increases as the employee grows older. Companies with older executives who need large amounts of coverage are finding that Survivor Benefit Plans can effectively enhance pre-retirement survivor benefits at a relatively low cost.

### **SURVIVOR BENEFIT PLANS**

These plans provide for the payment of a continuing survivor benefit to the employee’s beneficiary in the event of the employee’s death while employed by the company. These payments, which typically continue for three to five years, generally are based on the executive’s compensation at the time of death. The benefit recognizes the continuous, loyal service of these key employees by providing to them a consistent plan of survivor benefits.

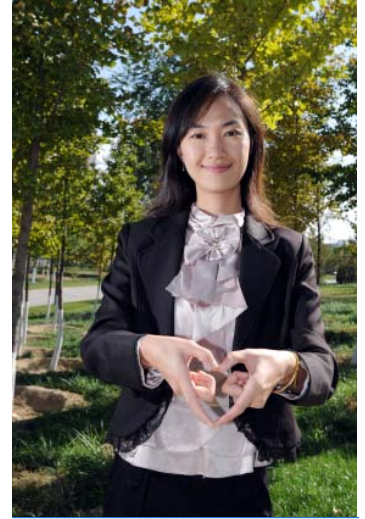
Even families who will receive significant life insurance proceeds may struggle financially in the short term to cover their monthly bills. These families may also need the financial means to adjust and transition before making big financial decisions such as properly handling a lump sum life insurance benefit.

Survivor Benefit Plans offer an effective way to continue company-provided paychecks for a period of time following the death of an employee. Benefits paid under this income continuation plan are taxable to the recipient (just like regular paychecks) and are tax deductible by the Company. A Survivor Benefit Plan may include individuals not in the Company’s top hat group.

Survivor Benefit Plans are flexible in structure and can offer great peace of mind to employees and their families. Although these plans are typically a low cost benefit for employers to provide, Survivor Benefit Plans have a high perceived value with employees.

### **SUMMARY**

A Survivor Benefit Plan can protect your valued employee’s family from the loss of current income and help provide peace of mind for your covered employees. Take time to learn more about this valuable benefit for your employees.



*A Survivor Benefit Plan shows that you care and provides these advantages:*

- Coverage is not restricted to the top hat group
- Cost to the company is relatively low
- No current taxation to the covered employee; taxation only occurs if benefits are paid
- Benefits are tax deductible to the employer when paid



## NYL Executive Benefits LLC

281 Tresser Boulevard, Suite 1110  
Stamford, CT 06901  
Phone: (203) 353-5800

---

[www.nylexbenefits.com](http://www.nylexbenefits.com)

---

## About NYLEX Benefits

NYL Executive Benefits LLC (“NYLEX Benefits”) provides supplemental executive benefit programs to a wide range of clients. We focus on developing cost effective executive benefit solutions that are designed to attract, reward and retain key employees.

Our services are designed to assist clients at all stages in the adoption and operation of executive benefit programs and include:

- Initial assessment
- Plan design
- Funding
- Plan implementation
- Ongoing administration

NYLEX Benefits’ professional staff includes the following professional disciplines, all dedicated to supporting our clients’ programs, processes, systems and services:

- Accountants
- Actuaries
- Attorneys
- Benefit specialists
- Insurance specialists

We take great care to assure that client programs are practical and that they are designed to achieve our clients’ strategic and operational goals.

Nothing contained herein is, or should be construed as, legal, tax or accounting advice, nor was it intended or can it be used for the purpose of avoiding penalties under the Internal Revenue Code or applicable state or local tax provisions. This communication was written to support the promotion or marketing of the matters or transactions addressed herein, and clients should always consult with their independent professional advisors to seek advice on the applicability of this information to their particular circumstances.

NYL Executive Benefits LLC (NYLEX Benefits) is a subsidiary of New York Life Insurance Company. Securities offered through NYLIFE Securities LLC, Member FINRA, SIPC, a Licensed Insurance Agency.