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LS
BENEFITS
GROUP
A LEEN-SPITLER COMPANY

Employee Retention: How to Reward & Retain Key Employees

Today's Presenters



Bill Edwards
Shareholder
Clark Schaefer Hackett



Brian Leen
Owner
LS Benefits Group

How to Reward & Retain Key Employees



AGENDA

Tax Qualified Retirement Plan Basics

Non-Qualified Benefit Plans for Today's Key Employee

Questions

Tax Qualified Retirement Plan Basics



A broad-based retirement program sponsored by employers:

- ✓ **The plan is a separate legal entity not subject to the claims of plan sponsor creditors.**
- ✓ **The assets accumulated under the plan are for the exclusive benefit of plan participants and their beneficiaries.**

Tax Qualified Retirement Plan Basics



A broad-based retirement program sponsored by employers:



The plan sponsor receives a current tax deduction for contributions to the plan (generally capped at 25% of eligible wages).

Plan participants can contribute pre-tax or Roth salary deferral contributions to a 401(k) plan.



Tax Qualified Retirement Plan Basics

A broad-based retirement program sponsored by employers:



Participants' account balances grow tax deferred until withdrawn from the plan (unless the participant is making Roth or after-tax contributions).



Access to participant accounts is generally limited while employed.



Tax Qualified Retirement Plan Basics

Tax Qualified Retirement Plans are subject to significant IRS, DOL, and ERISA regulations.



There are significant limitations on annual contributions to a defined contribution plan:

\$66,000

**2023 Annual
Addition
Limitation**

\$22,500

**2023 Salary
Deferral
Contribution
Limit**

\$7,500

**2023 Catch-Up
Contribution
Limit** *(for those age
50 or older)*



Non-Qualified Benefit Plans for Today's Key Employee

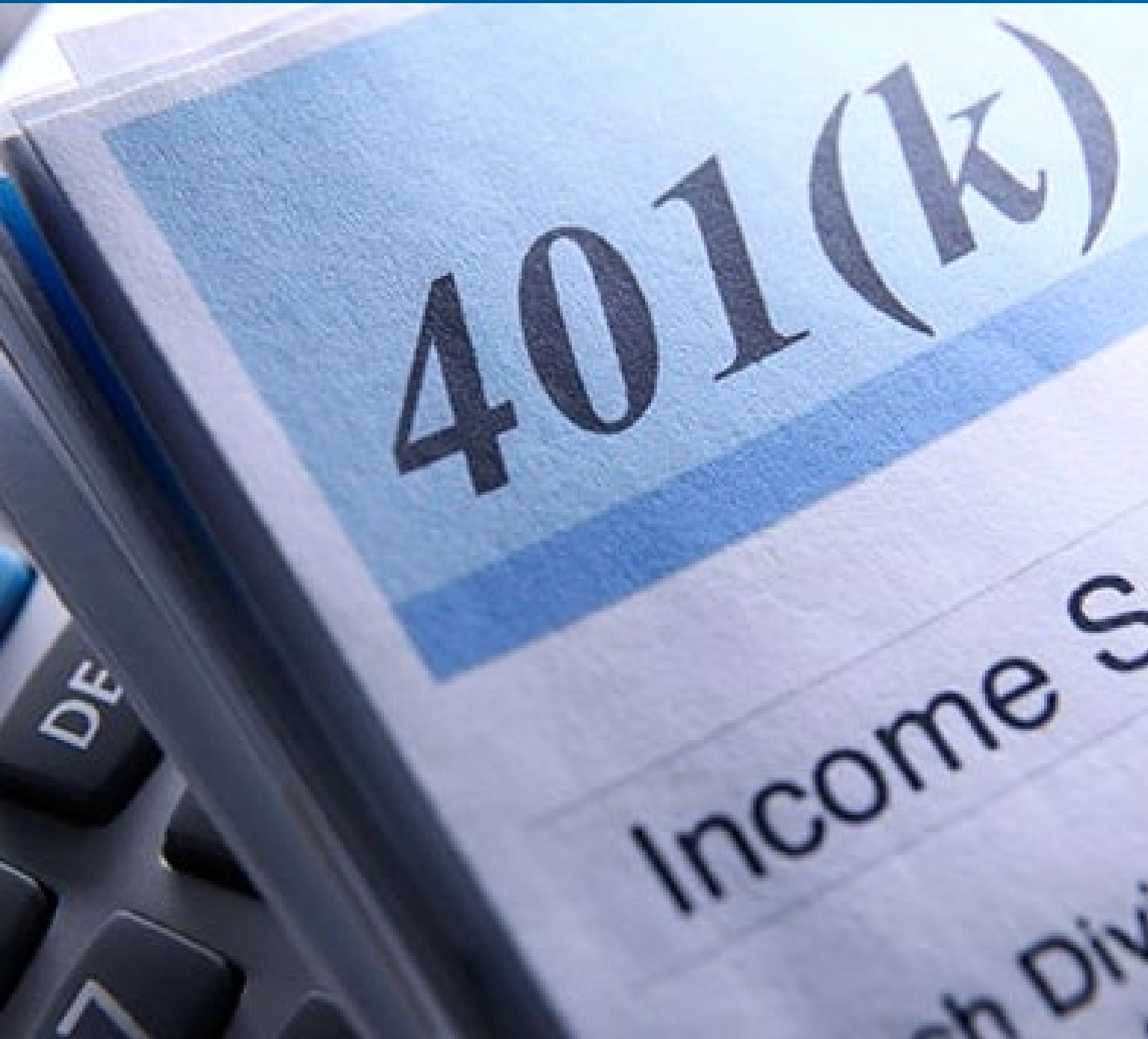
The Value of a Key Employee



- ✓ Owners see the importance today
- ✓ Replacement costs
- ✓ Synergy with employees, vendors, and customers
- ✓ Company growth contributor
- ✓ High level of loyalty
- ✓ Motivated to work

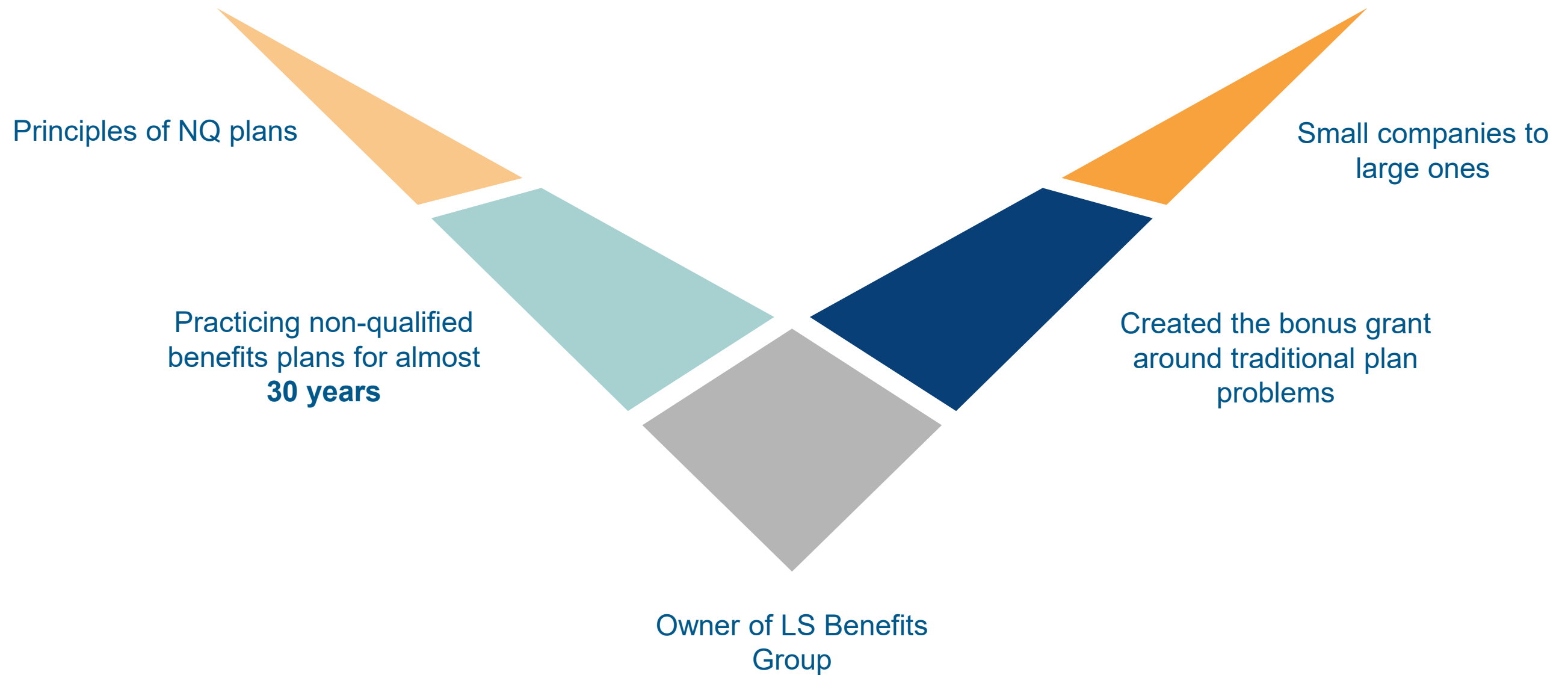


What is a Non-Qualified Benefit?



- ✓ Qualified vs. Non-Qualified (NQ)
- ✓ Promise to pay money in the future
- ✓ Recruit, retain, & reward key employees
- ✓ Employee \$ versus employer \$
- ✓ Select group (10%-15% max)
- ✓ Different levels/plans
- ✓ Tax deduction in back-end

LS Benefits Background



How Does the Bonus Grant Work?



Type of non-qualified benefit plan

7-10 year payout dates

Employee & company performance

Death benefit for family

\$ determined 1st quarter for prior year

Lump sum or 3-year payout

IOU from company

Additional contract

Life Events vs. Retirement Plans



Key... not a retirement benefit



7-10 year focus



College funding, 2nd home, debt, NQ savings



Turning grant into guaranteed income



Multiple Contract strategy

Partners & Roles



Regional Attorneys

- Bonus grant document
- \$1,200 - \$1,700 one time
- Customized document (TBD)



Regional CPAs

- Annual reporting – liability/employee statements
- \$1,000 per year (5 employees)
- Work with Clark Schaefer Hackett for Administration

Sample Statement

ABC Company, Inc. Key Employee Bonus Grant

Lisa Williams

Account Statement

From 1/1/2017 to 12/31/2017

Social Security Number	***-**-5555
Date Of Birth	01/01/1960
Date Of Hire	01/01/1985
Date Of Termination	
Contract Date	01/01/2015
Vesting Date	12/31/2025

YOUR ACCOUNT AT A GLANCE

Beginning Balance	27,000.00
Change This Period	15,000.00
Ending Balance	42,000.00

Vested Balance 0.00

ACTIVITY THIS PERIOD

BY INVESTMENT

<u>Investment</u>	<u>Beginning Balance</u>	<u>Contributions & Forfeitures</u>	<u>Withdrawals</u>	<u>Payments & Transfers</u>	<u>Ending Balance</u>	<u>Vested Percent</u> 0%
ABC Company, Inc.	27,000.00	15,000.00	0.00	0.00	42,000.00	
Total Balance	27,000.00	15,000.00	0.00	0.00	42,000.00	

Source of Money

Key EBG	27,000.00	15,000.00	0.00	0.00	42,000.00	
Total Balance	27,000.00	15,000.00	0.00	0.00	42,000.00	

Program Death Benefit

\$ 150,000.00

Please refer to the program arrangement and your individual joinder agreement for a complete description of the program's provisions.

Sample Crediting Page

ABC Company, Inc.

ABC Company, Inc. Key Employee Bonus Grant Summary of Program Credits

From 01/01/2015 to 12/31/2017

<u>Soc. Sec. Number</u>	<u>Employee Name</u>	<u>2015 Credit</u>	<u>2016 Credit</u>	<u>2017 Credit</u>	<u>Total Credit</u>
Active Participants					
***_**-1111	Susan Adams	\$ 5,000.00	\$ 7,000.00	\$ 10,000.00	\$ 22,000.00
***_**-2222	Matthew Baker	\$ 8,000.00	\$ 8,000.00	\$ 12,000.00	\$ 28,000.00
***_**-3333	Jacob Clark	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 21,000.00
***_**-4444	Anna Thompson	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 30,000.00
***_**-5555	Lisa Williams	\$ 12,000.00	\$ 15,000.00	\$ 15,000.00	\$ 42,000.00
Grand Total		\$ 42,000.00	\$ 47,000.00	\$ 54,000.00	\$ 143,000.00

Please refer to the program arrangement and your individual joinder agreement for a complete description of the program's provisions.

Phantom Stock Plans for CFOs

**Owners
desiring to
incentivize
stock value**



**Not for
most
employees**



**Establish
share price
and reward
for above
growth**



**Payout
options**



**Funding &
protection
considerations**



Liability Funding

- No reserves/worry about later
- Sinking fund/cash
- Investment portfolio
- Bonds
- Institutional COLI/protection
- Employee desire to be conservative

*Need to have good cash flow/balance sheet



Ideal Client



- ✓ Manufacturing/distribution-like
- ✓ ESOPs
- ✓ Moderate income earners
- ✓ Privately owned
- ✓ Interested in SIMPLE
- ✓ Prepping to sell (increased value)
- ✓ Transitional planning





Employee NQ Bonus Grant Testimonials

“Working for an organization that has over 6,000 employees, it is an honor to participate in the NQ Benefit Program. Having worked at the company for many years, I am not actively seeking outside opportunities or other career paths, but our ownership has eliminated any temptation to do so by investing back in my compensation package through the bonus program. Additionally, I like how it is not directly tied to my retirement compensation and it allows me some flexibility should any unforeseen circumstances arise.”

VP- Dayton Freight

“I was super excited and appreciative when the owner of my company presented the NQ Bonus Grant program to me. I knew it was for a select group of Employees. I am now in my 10th year of the Bonus Grant Program. It is very exciting to know I will be receiving addition Bonus money next year. The Bonus Payment will come at the perfect time for some kid’s college tuition!”

Sales Rep- Greenpoint Metals

“As an employee of this company for 28 years, I can attest to the effectiveness of the Bonus program. The program is a testament to Mini University’s commitment to recognizing and rewarding hard work, loyalty, and quality performance of its employees.

I have personally benefited from the bonus program and appreciate the structure of the program. I love the 7-year plan and makes me feel good there is a pot of money for me as I will be nearing retirement. This bonus program plays a role in assisting me in meeting my retirement goals.”

VP- Mini University

“I was very grateful when Aaron approached me about being included in the Scott Steel Non-Qualified Benefit Program. He explained that this would be his way of sharing profits with Key Employees like myself. As the CFO, it is very nice to know there will be additional rewards for my efforts. Since the payment is not tied to Retirement, I am sure there will be plenty of ways I can spend it!”

CFO- Scott Steel

Sample NQ Client List

