

## Retirement Income Solutions

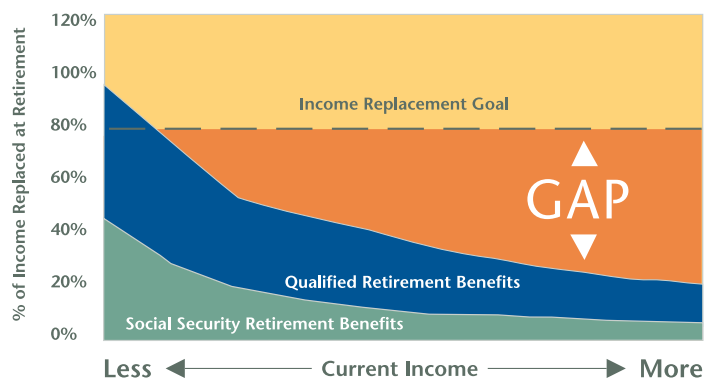
# Plans for Key Employees of Tax-Exempt Organizations

When determining their future employment strategy, an important consideration for highly compensated employees is a prospective employer's comprehensive benefit package. Retirement income ranks second to health insurance as the most sought after benefit. Does your employee benefit package offer a platform to help key employees reach their retirement goals?

An important business strategy for you may be to help the key players in your organization find ways to save additional dollars for retirement. A value-added retirement benefit could help tie them to your organization and help you succeed.

### Bridge the retirement income gap

Retirement income needs are particularly important for highly compensated employees. Limitations on qualified plan contributions and benefits make it difficult for them to ensure an adequate retirement income. Benefits from qualified plans and Social Security alone can leave a sizeable gap between their income goal and actual benefits. And, the more one makes, the larger the gap. Additional retirement income sources are required to help bridge this retirement gap.



This information is from the Principal Financial Group Replacement Ratio Calculator with source information from the Annual Statistical Supplements to the Social Security Bulletin [www.ssa.gov](http://www.ssa.gov). It is intended to demonstrate the potential impact of Social Security and 401(k) plan benefits at various income levels. For more information on your individual circumstances, please speak with your financial professional. © 2008 Principal Financial Services, Inc.

## Solutions from The Principal®

Nonqualified executive benefit solutions from the Principal Financial Group® can help you offer key employees the retirement benefits they need. Consider which type of plan best fits your needs.

ORGANIZATION CONSIDERATIONS	NONQUALIFIED DEFERRED COMPENSATION PLANS		PRINCIPAL EXECUTIVE BONUS PLUS <sup>SM</sup> – TAX EXEMPT	PRINCIPAL® SELECT REWARD PLAN – TAX EXEMPT
	457(b)	457(f)		
Golden handcuffs	Yes	Yes	Yes, but limited	Yes
Immediate taxation to employee	No, deferred until payout <sup>1</sup>	No, deferred until payout <sup>2</sup>	Yes, but “gross up” available <sup>3</sup>	Yes, but low until termination <sup>4</sup>
Cost recovery for organization	Yes <sup>5</sup>	Yes <sup>5</sup>	No	Yes <sup>6</sup>
Administrative support	Yes	Yes	Yes	Yes
Cost for administrative services	Yes	Yes	No	No
Supplemental retirement income for key employees	Yes	Yes	Yes	Yes

<sup>1</sup> Employee is only taxed when the benefit is distributed

<sup>2</sup> Recent IRS guidance suggests key employee deferrals will not escape taxation (Notice 2007-62)

<sup>3</sup> Employer may bonus some or all of the tax costs to the participant to simulate a pre-tax deferral

<sup>4</sup> Employee must pay economic benefit cost on the amount of death benefit endorsed to him or her

<sup>5</sup> Employer may obtain a measure of cost recovery from life insurance used to informally finance the plan

<sup>6</sup> A portion of the death benefit may be endorsed back to employer as a cost recovery tool

**The Executive 457(b) Retirement Plan<sup>SM</sup>** – A nonqualified defined contribution deferred compensation plan that allows contributions in excess of qualified plan limitations up to annual limits

**The Executive 457(f) Retirement Plan<sup>SM</sup>** – A nonqualified defined contribution or defined benefit deferred compensation plan that allows contributions in excess of qualified plan and 457(b) plan limitations

**Principal Executive Bonus Plus<sup>SM</sup> – Tax Exempt** – This plan allows an employer to provide enhanced retirement income and survivor benefits to employees on a select basis

**Principal® Select Reward Plan – Tax Exempt** – This plan allows an employer to pay a select executive a lump sum bonus payable upon fulfilling a service requirement. The bonus is taxable upon payout to the executive

### FOR MORE INFORMATION

Contact your financial representative.



WE'LL GIVE YOU AN EDGE®

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