



# Non-Qualified Deferred Compensation Plan

## A Selective Strategy to Recruit, Retain and Reward Key Executives

**N**on-Qualified Deferred Compensation (NQDC) plans are supplemental executive retirement plans for “C” Corporations, either closely held or public, as well as non-shareholder S corporations. NQDC arrangements have become popular because of the limits placed on qualified plans that adversely affect highly compensated employees. NQDC plans do not qualify for the tax benefits of qualified profit sharing and pension plans.

For purposes of ERISA and income taxation, NQDC plans are selective in nature and are generally “unfunded.” An “unfunded” plan provides the employee with an unsecured contractual right to benefits. The employer is not required to set aside assets to “fund” the benefit. With this type of plan, the asset is owned and controlled by the corporation. In an appropriately structured plan, the corporation will receive an income tax deduction when benefits are paid, and the employee pays no tax on the benefits until they are actually received.

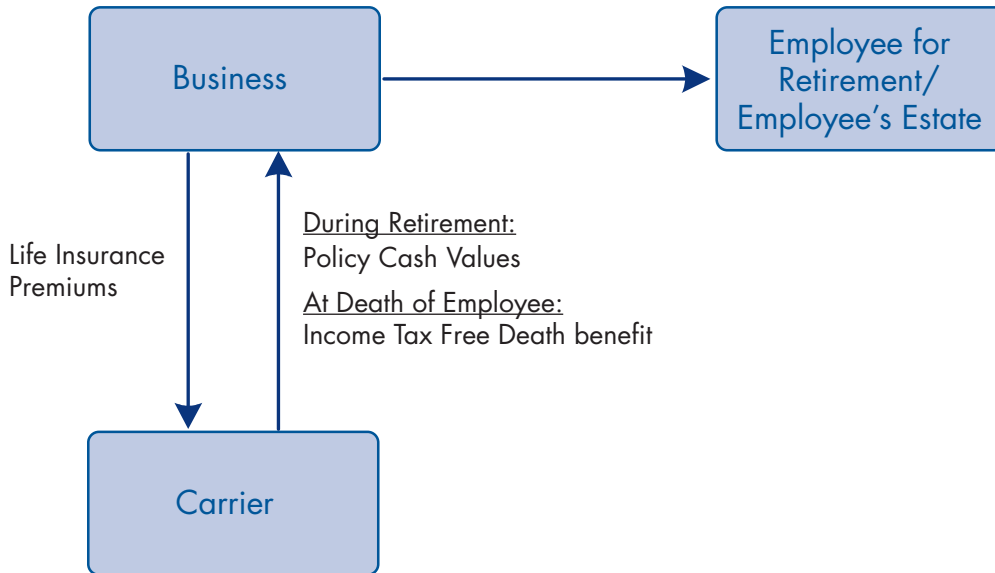
## NQDC Plans Offer Distinct Benefits to Business Owners

- Provides business owners with a vehicle to retain, reward, retire key employees.
- Provides executives with supplemental benefit to qualified retirement plans that offers the ability to defer amounts above qualified plan limits.
- Serves as an alternative to a qualified retirement plans.
- Creates golden handcuffs on the executive.
- Provides for the option to select among highly compensated employees.
- Benefits are deductible when paid.
- No IRS approval is required
- There are minimal DOL reporting requirements.





## How Non-Qualified Deferred Compensation Plans Work



- The corporation selects eligible participants.
- The corporation adopts the deferred compensation program.
- The plan parameters are communicated to selected employees.
- Individual agreements with executives are signed.
- The plan is filed with the DOL.
- The corporation informally funds the plan.

Learn more about how your business can benefit from Non-Qualified Deferred Compensation Plans.

### General and Tax Considerations

- Assets are subject to creditors of the corporation.
- No current corporate income tax deduction is available.
- Amounts are considered income to employee when received.
- Amounts are considered "Income in Respect of a Decedent" if benefits are paid because of death.



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