Executive Benefit Plan Comparison

	Executive Bonus Plan (EBP)	Non-Qualified Deferred Compensation Plan (DCP)	Non-Qualified Supplemental Executive Retirement Plan (SERP)

General Overview	• The company pays the annual premium on a life insurance policy owned by the key employee
	• The amount of the premiums are treated as employee bonus compensation
		• Tax-advantaged savings opportunity for the key employee
		  ○ Key employee elects to defer current income on a pre-tax basis
		  ○ Earnings accrue on a tax deferred basis
		• The company can elect to provide a percentage match or additional contribution
			• The company agrees to provide supplemental retirement income benefits for the key employee
			  ○ Can be structured as a "defined Benefit" or a "defined contribution" plan

Target Employer	• Employers with 10+ employees • C Corporations • Mid to Large S Corporations (for employees; not owners) • Attractive executive benefit plan alternative for pass through entities	• Employers with 45+ employees • C Corporations (owners and key employees) • Mid to large S Corporations (for employees; not owners) • Employers with good succession planning in place	• Employers with 45+ employees • C Corporations (owners and key employees) • Mid to large S Corporations (for employees; not owners) • Employers with good succession planning in place
Target Employees	• Employees who would appreciate permanent life insurance coverage; and the tax-deferred cash value build-up in the policy, • Employees that may be more sensitive to benefit security.	• Employees who want to make pre-tax salary deferral contributions	• Employees who will experience a retirement income shortfall from qualified plans due to IRS caps
$$	**Uses Company $$** • Opportunity for employee to contribute	**Uses Employee $$** • Opportunity for company to contribute	**Uses Company $$**
Income Tax Consequences	• Premium payments are currently deductible to the company as compensation expense • Amount of Premium payments are currently taxable to the employee. Employer could pay tax cost via a double bonus • Any policy cash values grow tax deferred	• No current tax deduction for employer • No current taxable income for employee • Employer get tax deduction when benefits are paid • Benefits are taxable to employee when received • Pass-through Entities – Employee deferrals would be taxable to the business owner(s)	• No current tax deduction for employer • No current taxable income to employee • Employer gets tax deduction when benefits are paid • Benefits are taxable to employee when received

Executive Benefit Plan Comparison

SEB SCHIFF EXECUTIVE BENEFITS

	Executive Bonus Plan (EBP)	Non-Qualified Deferred Compensation Plan (DCP)	Non-Qualified Supplemental Executive Retirement Plan (SERP)
Impact on Financial Statements	Current charge to earnings for bonus. Bonus reportable as compensation	Must accrue benefit liability and expense during working years of employee	Must accrue benefit liability and expense during working years of employee
Vesting and Control	Employee owns the policy. Rights can be limited through a Restrictive Endorsement	• Employee deferrals are 100% vested • Employer contributions may have a vesting schedule as determined by the employer	A vesting schedule is possible as determined by the employer.
Employer Cost Recovery (recoupment of premiums)	No – not always, but employer can purchase key man insurance to recover employer costs	Typical to recover the net after-tax cost of the plan	Typical to recover the net after-tax cost of the plan
Plan Performance Risk	Employee enjoys the benefits and bears the risk of the policy performance	Employer bears all of the plan risk with respect to assets held for plan purposes Plan Assets subject to corporate general creditors	Employer bears all of the risk with respect to assets held for plan purposes Plan Assets subject to corporate general creditors
Security	Employee's benefit is effectively secured by the policy that he or she owns	Employee is an unsecured creditor of the employer and has no interest in any assets held for plan purposes	Employee is an unsecured creditor of the employer and has no interest in any assets held for plan purposes
Plan Administration	Generally, inexpensive to establish and maintain	Generally, more expensive to establish and maintain	Generally, inexpensive to establish and maintain
ERISA	Generally, no ERISA reporting requirements	Limited ERISA reporting requirements	Limited ERISA reporting requirements
Employee's Perception of the Benefit Plan	**Advantage:** Employee owns the life insurance policy; has effective benefit security; and, the plan is easy to understand **Disadvantage:** Current taxation on premiums	**Advantage:** Employee's ability to defer current income above qualified plan limits; and, no current tax consequences to the employee **Disadvantage:** Plan is unsecured promise from the employer to the employee	**Advantage:** Employee may receive a supplemental retirement benefit with no current tax consequences **Disadvantages:** Plan is an unsecured promise from the employer to the employee