



CLEARPOINT ADVISORS, LLC

PROVIDING CLARITY AND CONFIDENCE IN
INSURANCE, INVESTMENT AND BENEFIT SOLUTIONS

Executive Benefits
Deferred Compensation

Introduction

Today, the competition for talent is as fierce as the competition for customers. To help attract and retain key executives and employees, businesses of all sizes need to consider expanding their compensation programs, as well as plan for business continuity.

Nonqualified benefits programs allow employers to individually select the employees they wish to reward without incurring reporting obligations to the IRS or DOL. Clearpoint can provide Compensation & Benefit design solutions to address the following:

- Informal funding for executive compensation such as supplemental retirement income or death benefits
- Control over ownership and distribution of benefits
- Attractive options for balance sheet reporting
- Full plan administration and reporting
- Potential income and estate tax savings

Retirement Benefit Review

Clearpoint's analysis of Sample Company's retirement plan consists of projecting future benefit levels, the following is a case example for four (4) executives based on assumptions for executive contributions, company match, interest and salary escalation.

Retirement Plan Analysis

The retirement plans for Sample Company consist of a Defined Contribution Plan and a Tax-Deferred Annuity Plan. The Defined Contribution Plan also includes Company Plan Contributions or matching contributions. The amount of the matching contribution is 150% of the participant's contribution up to a maximum matching contribution of 7½% of compensation.

Retirement Plan Analysis

Based on 12/31/07 account balances for each executive, current deferral elections and assumptions are detailed below. Clearpoint projected the following retirement income for each of the executives based on the assumptions below:

Assumptions:

- Retirement Age 65
- Compensation Escalation 6.00%
- Annuity Factor Discount Rate 6.58%
- Growth Rate of Assets 8.00%

Retirement Plan Analysis

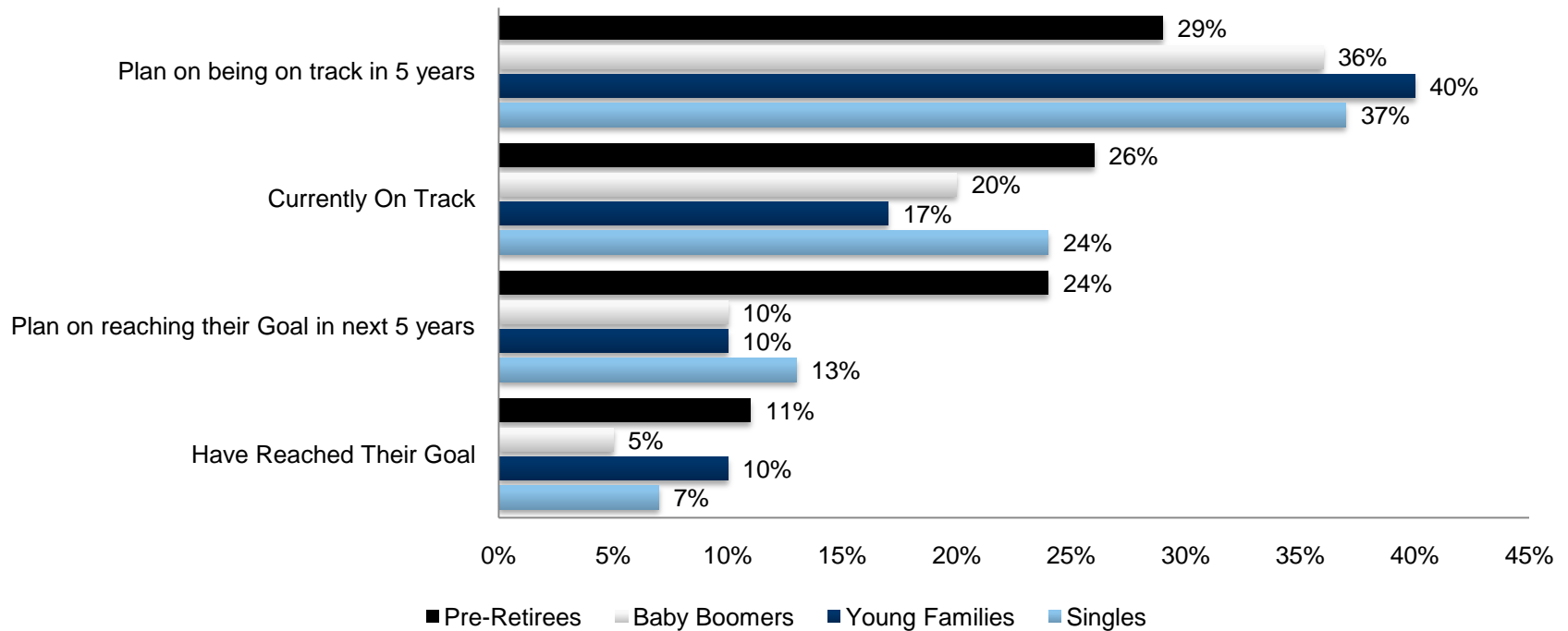
	President	Vice President Finance and Operations	VP of Sales	Divisional President
DC Plan Participant Contribution	\$72,608	\$83,293	\$19,417	\$80,859
DC Plan Matching Contribution	\$108,912	\$125,115	\$13,060	\$54,205
Tax-Deferred Annuity Plan	\$6,557	\$69,897	\$917	\$11,330
Social Security	\$37,620	\$41,196	\$28,848	\$36,444
Total	\$225,697	\$310,501	\$62,242	\$182,838
Total as a % of Final Compensation	27.94%	53.79%	27.42%	48.07%
Employer Provided	15.81%	25.24%	12.11%	19.04%

Retirement Plan Analysis

Retirees may need to depend heavily on their employers' help in retirement. The uncertainties surrounding Social Security and Medicare could place more responsibility for retirement planning on the individual. Yet, in MetLife's 2007 Survey on Employee Benefits Trends, only 21% of the employees surveyed said that they were on track to meet their retirement savings goals. Somewhat alarmingly, only 5% of baby boomers and 11% of pre-retirees say that they have reached their goals for retirement savings as illustrated on the following chart:

Retirement Plan Analysis

Employees assess the pace of their retirement savings efforts



Retirement Plan Analysis

Recommendations/Comments

- This amount of retirement income potential would generally be considered low in terms of competitiveness, especially for the President as his contribution is limited by governmental restrictions on the amount of compensation that may be considered for defined contribution plan purposes.

Supplemental Executive Retirement Plan (SERP)

SERPs are extremely commonplace in the corporate sector. A (SERP) is created to provide benefits in excess of government benefit limits.

These limitations, however, have not stopped well-designed nonqualified benefit plans from being implemented to assist executives with accumulating assets for retirement. In addition, there may be other attractive alternatives to consider other than a traditional SERP plan. These alternatives use life insurance and can be designed under a myriad of options, including, but not limited to, executive bonus, restricted executive bonus and split dollar and can help provide:

For the executive:

- Tax deferral
- Avoidance of the substantial risk of forfeiture
- Flexibility

For the Company:

- Simplicity
- “Golden Handcuffs”
- Cost recovery

SERPS

- Non qualified Supplemental retirement plan created as a Top Hat Group defined selectively for a specific group.
- Benefits accrue tax deferred for participants
- Corporation doesn't receive a tax deduction until benefits paid
- Unfunded unsecured promise to pay benefit obligation
- Corporation can fund for aggregate liability to pay benefit but not funded as a qualified retirement benefit in participant name
- Plan document defines benefits due, booked liability and plan provisions.

SERPS –Plan Designs

Defined Benefit

- Project benefits received until retirement from current sources and provide defined benefits
- Defined benefits based upon percentage of final average pay from all sources (normally 50-70%)
- Distribution can be lump sum certain period of years or lifetime

Defined Contribution

- Percentage of pay based on annual salary corporate performance, personal performance contributed annually.
- Final account value based upon growth of corporate investment election or a portion of employee direction
- Vesting at discretion of employee based on accredited years of service and /or an attractive incentive to stay

Voluntary Deferred Compensation

- Nonqualified deferred compensation is a discriminatory supplemental benefit plan for a highly compensated portion of an employee base. A deferred compensation plan is not qualified under ERISA and can be provided for a defined “Top Hat” group.
- Participation can be selective and discriminatory as long as eligibility requirements are consistently applied.
- The promise of future benefit obligations is a general liability of the corporation and tax deduction does not occur until received as income by the participant. The plan liabilities are an “unfunded” benefit arrangement.
- Crediting rates for deferrals can be fixed rates or multiple allocation choices.

Voluntary Deferred Compensation

- Deferral is an irrevocable election to defer income until specific distribution period defined by plan enrollment.
- Plan design can include deferral of salary, annual bonus, and long term incentives.
- Deferral periods can be retirement and multiple time frames based on plan designs.
- Participants are unsecured creditors of the corporation to be provided deferral opportunity.

Funding

Benefit obligations can be informally funded with institutionally priced tax deferred investment vehicles depending upon plan design. The assets can be held by employer or by a trust.