T-Mail

Navigating the Executive Benefits Landscape
with The Todd Organization

Tax Season: A Reminder of the Benefits of Deferred Compensation

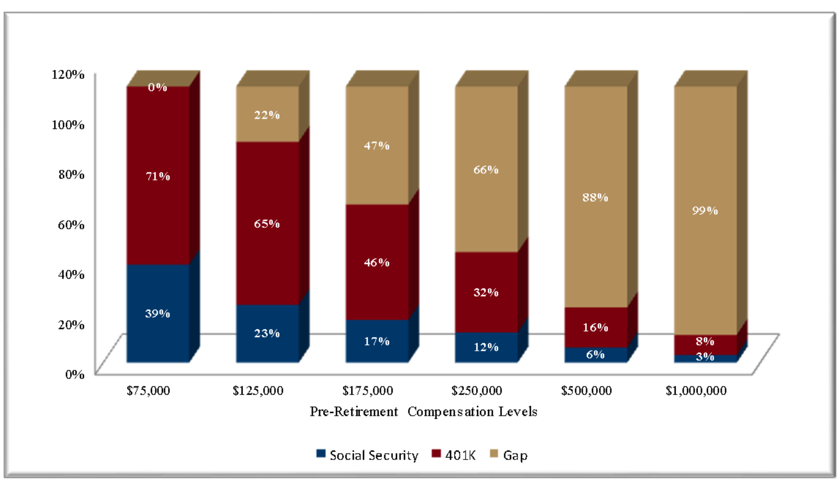
Taxes are a frictional cost of saving and the tax bite got bigger in 2014. In addition to higher rates and lower exemptions and deductions, the Affordable Care Act imposes an extra 3.8% tax on certain taxpayers. With Americans starting to grapple with tax returns and high federal and state tax payments that often must be made at this time of year, now is an appropriate time to review and consider the advantages of non-qualified deferred compensation plans (DCP's).

Surveys indicate that many, if not most Americans are behind schedule for retirement. Deferred compensation plans offer the important combination of a self-imposed discipline for saving along with the postponement of taxation on the dollars being saved. In addition, deferred compensation sidesteps the aforementioned 3.8% Medicare tax created under the Affordable Care Act.

Many executives currently earning more than $150,000 face significant restrictions on how much they can contribute to a qualified 401(k) plan. Contemporary deferred compensation plans offer virtually unlimited saving opportunities along with significant flexibility as to the time and form of distributions. In short, DCP's are a powerful tool that should be strongly considered as part of an accumulation strategy.

Whether an executive is looking to "catch up" on retirement contributions, provide more funds for important life events such as college funding for children, or to simply have greater future financial flexibility, non-qualified deferred compensation plans are among the most effective tools available.

As income levels increase, the "gap" in retirement income that must be filled by personal savings increases dramatically.



Continued on next page

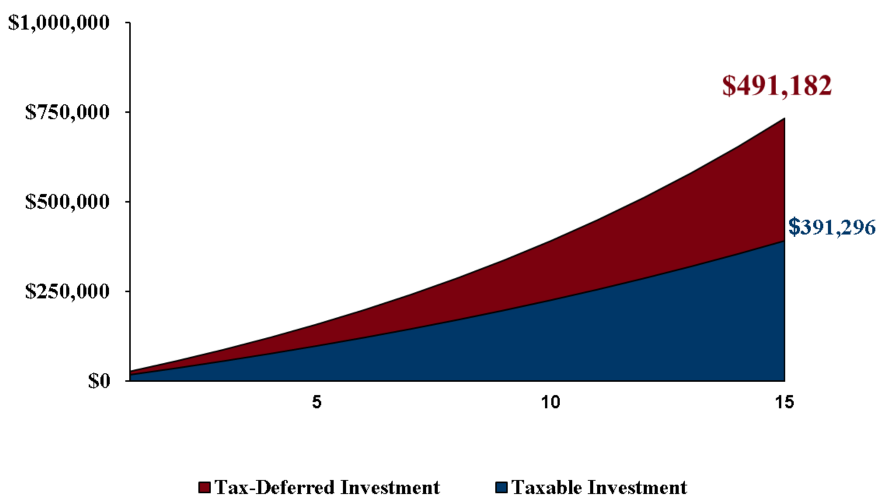
From a participant's perspective, the taxation of DCP's is the same as a 401(k) plan, namely:

- Deferrals are made on a pre-tax basis (with the exception of the FICA tax which is paid at the time of deferral and not upon distribution)
- Investment gains are not taxed
- Dollars are taxed upon distribution (perhaps at a lower tax rate in retirement)

For example, let's look at a 50 year-old executive who is in the 33 percent federal marginal tax bracket and contributes $25,000 annually on a pre-tax basis for 15 years to a DCP and earns 8% per year.

If the executive takes a lump sum payment at retirement in 15 years, he/she will have $491,182 after the payment of federal taxes.

This is nearly $100,000 more dollars for retirement by simply deferring taxation until such time as the dollars are needed. Put another way, the participant earned interest on dollars that would have already been paid to the IRS if not deferred.



The responsibility of retirement readiness has been shifted from the employer to the employee in recent years. The non-qualified deferred compensation plan is an important and strategic tool that makes it far more likely that one will arrive at retirement with sufficient savings.

For more information about deferred compensation and other executive benefit programs, please contact your Consultant at The Todd Organization.

| Connect |

THE TODD ORGANIZATION®

www.toddorg.com