

T-Mail

Navigating the Executive Benefits Landscape
with The Todd Organization



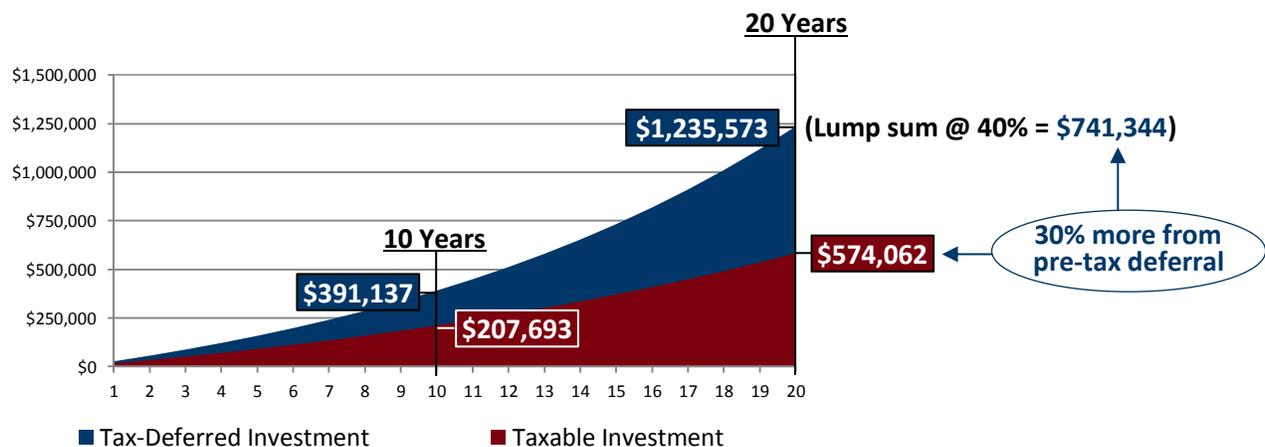
Common Questions from Executives about Deferred Compensation

With the enrollment season for many companies' executive benefits now here, it is an appropriate time to review many of the key questions that executives have on deferred compensation programs. When companies are able to systematically and effectively inform executives about such plans, they can help retain quality executives, thereby reducing turnover costs.

Common questions include the following:

What are the tax ramifications? Deferral plans can help to reduce tax liability in the deferral years. Often the executive will pay a lower rate in the distribution year(s). As the chart below illustrates, tax deferral can provide significant advantages.

The Power of Pre-Tax Deferral



Assumptions: - \$25,000 per year x 20 years - 40% Income Tax Rate (Federal/State/Local)
- 8% Earnings Growth - 27% Blended Tax Rate (Ordinary Income/Capital Gains)

Common Questions from Executives about Deferred Compensation...cont'd

How can plans help with other life events? Many plans have provisions where executives can make withdrawals for significant life events such as college education. In addition, participants may be able to schedule distributions three years after deferrals, which for many executives provides important financial flexibility.

How do the plans relate to stock compensation? When executives receive or expect to receive a high amount of stock compensation it may be an ideal time to increase participation in the deferred compensation plan.

Should I defer into a fixed-rate vehicle? For many executives, particularly those approaching retirement, it is important to have deferrals go to steady, fixed-rate vehicles. Companies should inform executives of this alternative, if they have it.

What are the distribution dates and options? Companies should clearly outline these dates and alternatives to executives in both verbal and written communications.

How much retirement income will I need from the deferred compensation plan? For many executives, the simple answer is a lot. Even if executives fully participate in qualified 401(k) plans, many will receive less than 20% of their pre-retirement income from 401(k) plans and Social Security. Executives should be encouraged to review this issue carefully as part of their overall financial planning.

How can I get additional information? Companies should inform executives about support resources available throughout the year to understand and better gauge deferred compensation and other executive benefits programs.

The Todd Organization addresses these and related matters through fully integrated systems supported by a multi-disciplinary team, with a single point of contact. For more information about these programs, please contact your Todd consultant.

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