

T-MAIL

Navigating the Executive Benefits Landscape
with The Todd Organization

October 2011



The Value of the Todd Fixed Rate in a Volatile Economy

Market Volatility Diminishes the Value of Benefit Offerings

In early October, the markets – again – hit new lows for 2011. By the time you read this, we may already be officially in “bear” territory again. But, regardless, what this market has proven is that companies that want to be sure that their benefits help attract, retain, and retire their key employees can’t rely on the traditional mix of stock-based benefits and “flexible” deferral plans with 401k-type investment choices. Many companies are continuing to expense stock options which have no current value, with minimal hopes of recovering any value before expiration. Company stock is being hammered because of external events, such as the Greek financial crisis, despite potentially record profits for many well-run American companies. Stock-based plans are not rewarding key management for their efforts. So, how can a company address this need?

The Todd Fixed-Rate Solution

The Todd Fixed Rate Plan uniquely fills the bill. The company allows its executives to defer salary and bonus, pre-tax, as with a traditional non-qualified plan. However, in the Todd Fixed Rate Plan, the deferrals are designed to be held until retirement, during which time all of the executives’ deferrals and earnings are at risk of loss, should the company become insolvent. So, with the executives so closely aligned with the long-term interests of shareholders, the company can and should provide the executives with an above-market, fixed rate interest – an investment vehicle which can’t decline in value and which can provide the company a reliable means to assist its key executives in planning for retirement. Plans can be structured such that participants may also reallocate all or a portion of their current deferred compensation account balances to this option.

Implementation & Financing

The company assumes the obligation for payment of the deferred compensation. With government bond yields at historic lows, many are informally financing this liability to participants using a high quality, traditional life insurance asset that the company owns and controls. The predictable, stable nature of the life insurance asset efficiently offsets and at least partially recovers the fixed-rate liability.

The Todd fixed-rate option can be layered into an existing plan as an enhancement or current investment option, with service coordinated with the current plan administrator. Alternatively, it can be offered as a stand-alone plan.

The Value of the Todd Fixed Rate in a Volatile Economy... cont'd

Looking Ahead

Whether equity prices continue to stagnate, decline further, or even undergo a strong recovery, fixed income investments can and should remain an integral part of executives' retirement planning. In fact, even when equities grow in value, there should be an increase in fixed-income investments as the larger overall value of the portfolio will need re-balancing to align once again with its original strategic design.

By making sure that fixed-rate instruments are being used sufficiently and assessing the best alternatives, companies can cost effectively provide executive benefits that will retain and attract high quality executives.

The Todd Organization has numerous experts available to help companies institute and refine fixed-rate executive benefit plans. For more information about these programs, please contact your Todd consultant, or visit our website at www.toddorg.com.



THE TODD ORGANIZATION

www.toddorg.com