



Nationwide®
is on your side

NATIONWIDE® BUSINESS SOLUTIONS GROUP

Recruit, retain and reward your key employees

The need

You have a business client who fears losing one or more key employees to a larger company with a more robust benefit package. The business owner may already sponsor a 401(k) plan for his or her employees, but for highly-paid key employees that may not be enough.

	EMPLOYEE A	EMPLOYEE B
Annual compensation	\$300,000	\$100,000
401(k) annual deferral	18,000	18,000
Projected balance in 20 years	700,000	700,000
Estimated pre-tax annual payment for 20 years	56,000	56,000
Estimated annual Social Security benefit at age 66 (based on current law)	31,704	29,772
Total estimated pre-tax annual payment	87,704	85,772
Post-retirement income replacement ratio	29.2%	85.8%

Assumes annual 2% increase in 401(k) annual deferral and 5% annual rate of return.

The solution

At Nationwide®, we can help you and your business-owner clients retain and reward the employees who are vital to the success of their business. How? With a **defined benefit supplemental executive retirement plan (SERP)**, just like Joe did recently.

Joe's client, the owner of a mid-size manufacturing company with 35 employees, has five key employees who may leave now that they've become successful sales people.

The client sponsors a 401(k) plan, but the five highly-compensated employees can only contribute about 6% of compensation to the plan each year due to nondiscrimination testing failures.

With Joe's help, the client can set up a defined benefit SERP that will pay each employee an annual benefit at age 62 (retirement) of \$150,000 per year for 10 years. The five employees are between the ages of 40 and 51.

To offset the accruing benefit liability and to provide cash to help pay benefits in the future, the business owner also purchases corporate-owned life insurance (COLI) on the five key employees.

	PREMIUMS PAID	CASH SURRENDER VALUE	DEATH BENEFITS PAYABLE	WITHDRAWALS/ LOANS FROM COLI TO PAY BENEFITS	ACCRUED LIABILITY	BENEFITS PAID
End of Year 7	\$3,152	\$3,403	\$9,315	0	(\$2,372)	0
End of Year 20	\$3,152	\$2,869	\$5,837	\$1,710	(\$3,813)	\$2,850
Life of Plan	\$3,152	0	\$1,307*	\$4,713	0	\$7,500

All numbers are in millions

*Death benefits paid at the individual's mortality age.

The outcome

The defined benefit SERP financed with COLI enables the business to:

- Provide a total of **\$7.5 million in retirement benefits** to the five key employees who remain with the business to age 62
- Purchase corporate-owned life insurance (COLI) for under \$3.2 million in premiums that will:
 - › Provide an asset on the business balance sheet to offset the accrued liability
 - › Provide the business with the ability to withdraw the after-tax value (\$4.7 million) of the retirement benefits
 - › Provide the business with tax-free death benefits of \$1.3 million (assuming every employee lives to his/her projected mortality age)
 - › Provide the business with tax-free funds in the event one of those key employees dies while employed to pay any survivor benefits due and to help the business recruit a replacement



• Not a deposit • Not FDIC or NCUSIF insured • Not guaranteed by the institution
• Not insured by any federal government agency • May lose value

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This example represents a hypothetical client situation. The assumptions used are for illustrative purposes; actual results may vary. It is based on Future Executive UL, which is not available in every state.

Federal income tax laws are complex and subject to change. Nationwide and its representatives do not give legal or tax advice, so please contact your attorney or tax advisor for answers to these specific questions.

Be sure to choose a strategy and product that are suitable for the long-term goals of both the business and its employees. Weigh objectives, time horizon and risk tolerance, as well as any associated costs, before investing. Market volatility can lead to the need for additional premium in the policy. Variable life insurance has fees and charges that include costs of insurance, underlying fund expenses and administration fees. Investing involves risk, including possible loss of principal.

Life insurance is issued by Nationwide Life Insurance Company, Columbus, Ohio.

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