



Retirement Options for Executives

Excess Benefit Plan	
<p>Definition</p> <p>A nonqualified deferred compensation plan maintained by an employer solely for the purpose of providing benefits for certain employees in excess of the limitations imposed by Section 415. The plan may be funded or unfunded.</p>	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Allows highly compensated employees who participate in a qualified retirement plan to supplement their retirement savings • Taxation may be deferred if the plan is "unfunded"; amounts contributed are generally includable in income when received by the employee (or made available to the employee) 	<ul style="list-style-type: none"> • If the plan is funded, the employee is taxed immediately on all employer contributions unless the benefits are subject to a substantial risk of forfeiture • Can be risky; benefits might not be paid in the future if the plan is unfunded • ERISA's safeguards do not apply to unfunded plans, and only partially apply to funded plans
Supplemental Executive Retirement Plan (SERP)	
<p>Definition</p> <p>A nonqualified deferred compensation plan that provides retirement benefits to a select group of executives without regard to limits imposed on qualified plans. Properly structured, the plan is unfunded for ERISA purposes.</p>	
Advantages	Disadvantages
<ul style="list-style-type: none"> • Allows executives to supplement their retirement savings • Taxation is deferred; account is generally includable in income as received by the executive (or when made available to the executive) 	<ul style="list-style-type: none"> • As an "unfunded" plan, most of ERISA's safeguards do not apply • Can be risky; benefits might not be paid in the future

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