

Supplemental Executive Retirement Plan (SERP): Powerful Employee Retention

Supplemental Executive Retirement Plans (SERP) offer employers the flexibility to design retirement benefits tailored to their specific needs. These nonqualified employer-funded plans can take various forms, providing either a defined contribution or a defined benefit. They may also include vesting schedules and investment choices, allowing each company to create a plan that aligns with its unique goals and objectives.

Client Spotlight: Crafting a Successful SERP

A private company with 400 employees was searching for an effective way to motivate, reward, and retain multiple levels of key executives and directors. Nolan Financial designed a SERP with the following key elements:

- **Contributions:** Annual discretionary employer contributions based on customized metrics for each population of executives and directors.
- **Account Investment Performance:** Participants select from a plan specific investment lineup
- **Vesting:** 10th year of plan participation or age 65.
- **Distributions Options:** Lump sum or up to 10 annual installments upon separation of service.

Plan Design – Bringing Value to the Company and Plan Participants

1. **Discretionary employer contributions** - highly attractive benefit to complement the overall compensation structure and offerings.
2. **Employer contributions tied to a vesting schedule** - fosters retention by requiring participants to invest their time with the company to receive these valuable benefits
3. **Flexible distribution options** - transforms the SERP into a flexible financial planning tool for participants

Informal Funding Analysis

Following an in-depth funding analysis, the corporation ultimately chose to informally fund the plan with **COLI (Corporate Owned Life Insurance)**. Utilizing COLI minimized the tax liability of informally funding the SERP and resulted in a positive impact to the corporate profit and loss statement.

Connect with Nolan Financial

Whether you have a current client that could benefit from a new plan, a consultation on an active plan or you would like to present a more complete solution to a prospective client, please contact Michael Nolan, NolanM@nolanfinancial.com, or Kenton Quick, QuickK@nolanfinancial.com, or by phone at 301-907-9500.