

# Your Guide to Executive Benefit Planning

Be a business owner's best asset  
by helping them reward theirs

LIFE SOLUTIONS

**Financial  
Professional Guide**

Insurance products issued by:  
The Lincoln National Life Insurance Company  
Lincoln Life & Annuity Company of New York

# What you can offer the owner

“What if I could not only help you retain and reward your best employees but also help them better prepare for retirement?”

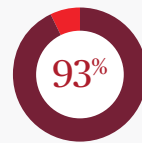
## Competition for key talent is tough.

You can help with solutions for competitive benefits. Small businesses need strategies to attract and retain talent.



of owners say they're hiring or trying to hire new talent,

**but**

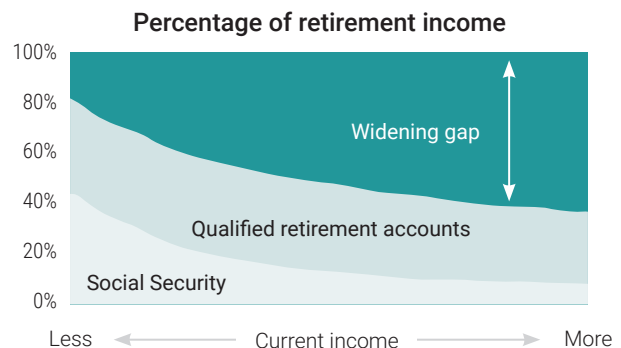


of these hiring or trying to hire claimed that there are few or no qualified applicants for the positions they're trying to fill

Source: NFIB's monthly jobs report, April 2022, <https://assets.nfib.com/nfibcom/2022-Apr-Jobs-Report-Final.pdf>

## Key employees need ways to save more for the retirement they want. You can help them fill the gap.

If your key executives rely solely on your qualified plan and Social Security benefits for retirement income, they may outlive their savings. Unfortunately, the retirement income gap increases with their compensation.



## Reward select key employees



An **executive benefit plan** using life insurance can provide a simple yet powerful addition to an owner's total executive compensation benefit package for their top performers. The owner maintains control of who will participate, and their employee has little to no out-of-pocket expense. And if employee retention is a concern, the owner could restrict the employee's access to the policy's cash value for a period of time, such as until retirement.




### Considerations for the business

- **Recruit, reward, retain** – A powerful tool to attract and retain top talent with custom-designed plans
- **Freedom** – Discretion to select which employees can participate
- **Flexible** – Deferred compensation plans can be tailored to meet corporate objectives and complement other salary and benefit programs

### Considerations for the key executives

- **Financial protection** – A cost-effective way to obtain survivor benefits
- **Provides a supplemental retirement resource** – Helps narrow the gap between preretirement and retirement income
- **Tax-advantaged** – Cash value that grows tax-deferred

# The executive benefit spectrum

	 Employee		Employer 
	 Control		
	Executive Bonus (Section 162)	Loan Regime Split Dollar Plan	409A Deferred Compensation Plan
Policy ownership	Employee	Employee/Employer	Employer
Corporate tax deductibility/employee taxation	Immediate (assuming reasonable compensation)	Deferred	Deferred
Financial reporting	No liability created	Split-dollar loan balance booked as a company asset; no liability created	Accrual of SERP benefit liability; policy cash value is carried as an asset <sup>1</sup>
Plan control	Company has no or limited control of employee's policy	Employer maintains control of policy equal to net premium loan balance	Employer maintains full control over policy but liable for SERP agreement benefits <sup>1</sup>

<sup>1</sup>Supplemental Executive Retirement Plan.





# Grow your practice with trust, efficiency and simplicity

The ability to develop trust with clients is one of the most important qualities a financial professional can have. Clients tell us it's the top source of their satisfaction — even more than the guidance you provide or the service you deliver.<sup>1</sup>



## Ask client-centered questions

Make the conversation about the client. Ask them about their business and what matters most to them. Ask about their key employees and what their contributions mean to the success of the company.



## Listen to learn

Through active listening, you'll demonstrate care and empathy and boost the emotional connection with your client. Once established, this connection will put you in a better position to find the right solution for them.

- **Ask** open-ended questions
- **Be present** and aware of your talk/listen ratio
- **Keep a calm presence** and don't interrupt
- **Make notes** and summarize important information

### Questions to ask

#### 1. Does your business compete to recruit and retain top talent?

- Do your current benefits effectively attract highly qualified applicants?
- Would your business benefit from establishing a program to assist in recruiting, retaining and rewarding your top talent?

#### 2. Will your key employees be prepared for retirement?

- Are your highly compensated employees contributing the maximum to their qualified plans?
- Is it possible that these employees are being underserved by the limitations of qualified plan contributions?
- Do you offer any additional programs to help your highly compensated employees prepare for retirement?

### Connect the dots

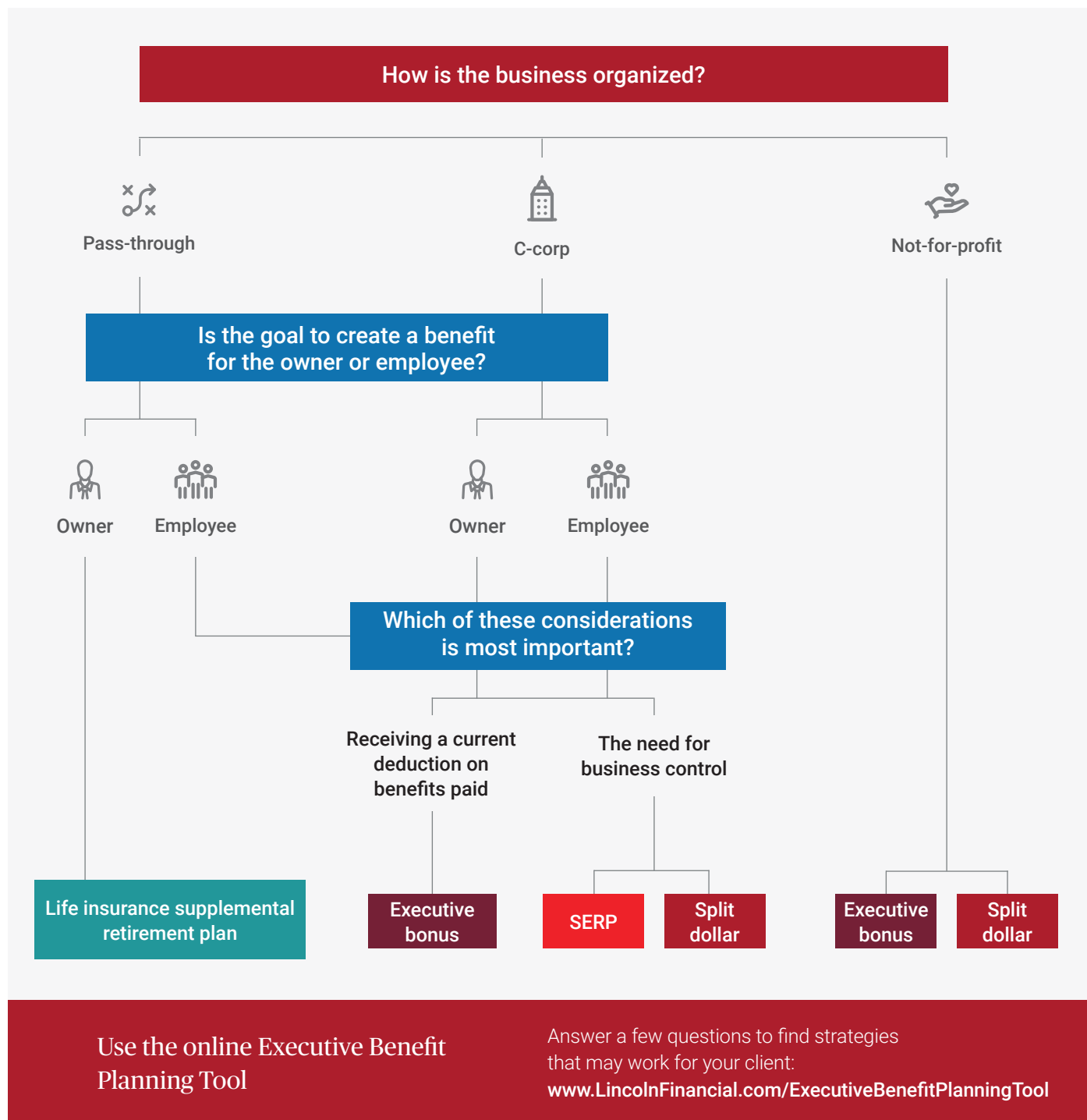
- Losing key executives costs money and could hurt employee morale and customer relations
- Competitors may be better positioned to retain, reward and recruit from the same talent pool
- You can help provide financial security for your best employees
- A dedicated team of experts can design and provide ongoing services that solve this important need

<sup>1</sup>1–2 Cerulli: "U.S. Advisor Metrics," 2018.

# Business insurance decision tree

## How do you know which solution fits your client's business?

Lincoln Business Insurance Solutions offers a variety of executive benefits plans that fit your client's business organization and goals. See how your understanding of the business type and the owners' most important considerations can help you determine an appropriate solution.



# The Executive Benefit planning process

## 1. Identify prospects

- Businesses with an identified need for life insurance on owners and/or key employees
- Businesses seeking to reward only selected employees commensurate with their contribution to the business's success

## 2. Have the conversation

## 3. Understand the organization

Use the Lincoln nonqualified benefits questionnaire to gather information that will help determine the type of plan and funding to address the needs of the business.

- **Organization type**  
For instance, is the business a sole proprietorship, general partnership, limited liability partnership?
- **Benefits information**  
What types of programs does the organization already offer?
- **Goals of the owner/business**  
An understanding of the owner's objectives will help determine a plan that addresses what is most important.
- **Participants for the plan**  
Determine who gets covered by the incentive program and how that decision is made.
- **Funding considerations**  
Determine formulas for annual plan contributions or benefit amounts.
- **Plan exit strategy**  
At its discretion, an employer may transfer its interest in the policy. Discuss the preferences of the business.
- **Benefits distribution**  
Determine the age and how the distribution will be made, such as at retirement in installments over a certain number of years. In the case of a preretirement death, how much will the employee's beneficiary receive and how much will the employer receive for key employee coverage?

## 4. Design the solution

Partner with your Lincoln Business Insurance Solutions (BIS) team on strategy and product solutions.

## 5. Service what you sell

The value you provide to clients doesn't end at point of sale and neither should your support. Lincoln is committed to partnering with you by providing the tools and resources for ongoing plan oversight and management.



## Why Lincoln?

Lincoln BIS is your dedicated business life insurance sales partner, delivering the resources and expertise you need to solve for clients' diverse needs.



### IDENTIFY

Lincoln works with you to find an opportunity to recommend an insurance solution for your business owner client.



### DESIGN

Lincoln works with you to design the case.



### IMPLEMENT

Your client goes through underwriting, accepts an offer and purchases insurance.

## Financial strength

Building on a century of expertise and sound risk management, Lincoln Financial offers products and services to help people feel in control, confident and financially prepared.



Contact your Lincoln BIS team at [BusinessInsuranceSolutions@LFD.com](mailto:BusinessInsuranceSolutions@LFD.com) to help your business clients recruit, retain and reward their employees.

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May go down in value

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