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Tax Reform Still Putting Your Retirement at Risk by Changing Deferred Compensation

PONTE VEDRA BEACH, FL -- (November 13, 2017) Fulcrum Partners LLC, one of the nation's leading executive benefits consultancies, is urging working Americans to become aware of, and advocate against, proposed Tax Reform that eliminates or seriously impairs options to defer compensation and benefits for retirement. With the attention of many workers focused on proposed changes to 401(k) taxed-

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deferred savings, other potential Tax Reform threats to retirement security have flown under the radar.

Although the House Ways and Means Committee announced yesterday it has removed from its version of the bill, Section 3801, which would have dismantled and destroyed nonqualified deferred compensation, the Senate has yet to follow suit. As the proposed changes currently stand, the Senate's Tax Reform bill will increase taxes on employee savings, radically change compensation policies and reduce the capability of U.S. employers to compete for talented workers.

The Association for Advanced Life Underwriting (AALU), has provided this online link (https://aalu.quorum.us/campaign/5617/) to make it easy for concerned Americans to contact their legislators and voice opposition to this portion of the proposed Tax Reform Act. This webpage identifies your representatives, provides you a link to click and will automatically send emails to these representatives when you log in with your home address.

Intended to simplify the Internal Revenue Code of 1986, the Tax Cuts and Reform Act of 2017, (also called Tax Cuts and Jobs Act) includes over 400 pages of proposed changes. "One of our concerns at Fulcrum Partners," said Founder and Managing Director, Bruce Brownell, "Is that this provision of the bill is being overlooked, when if approved, it would effectively eliminate deferred compensation arrangements and severely limit many other common compensation arrangements critical to business competitiveness."

Fulcrum Partners Managing Director Steve Broadbent, a former Deputy Assistant Secretary for the U.S. Department of the Treasury, appointed by President George H. W. Bush, explained, "Passage of this Tax Reform is moving quickly. Right now, it includes potentially devastating changes regarding the taxation of past, present and future compensation agreements. In contacting the offices of legislators, we are learning that many high-level staffers are not even aware that the Tax Cuts and Jobs Act, as currently written, will critically affect the capacity of millions of working Americans to save for retirement."

According to an analysis provided by international law firm K & L Gates, proposed changes to deferred compensation would:

• Increase taxes on employee savings by $13.4 billion

• Force employees' existing balances to be taxed by 2026, interrupting the personal financial plans of millions of employees

• Effectively limit compensation to salary, annual incentive plans and very long-term vesting programs that will likely be ineffective at recruiting, retaining or maximizing the productivity of human capital strategies and will reduce the ability of shareholders to align long-term compensation with shareholder objectives (performance-based compensation)

- Effectively eliminate compensation practices that are widely accepted internationally, putting U.S. businesses at a disadvantage.

Some of the most common types of compensation that would be negatively affected by the changes proposed are nonqualified deferred compensation plans (NQDC), employee stock purchase plans, severance arrangements, clawback policies (used to limit risk taking) and stock-options and other performance-based compensation.

Andrew Hart heads the Washington D.C. offices of Fulcrum Partners. "I discussed this portion of the Tax Reform Bill with one of my clients today," said Andy. "He is the CFO of a major bank based in the Philadelphia area. His response was candid and concerned, calling the proposed tax law change 'ridiculous' and observing that it will hurt a lot of people. He said, 'We simply couldn't afford to pay the taxes; we would be using up current income to pay taxes. It could wipe out retirement savings. This tax reform was supposed to help the middle class. But workers will end up paying taxes on something they may never receive, and those taxes will be based on estimates and assumptions. These tax changes were supposed to simplify, not complicate things. At a time when people are struggling to save for retirement. What could lawmakers possibly be thinking? This was supposed to help boost the economy not destroy it. …Changing 409A will change how people save, how executives are paid, and how businesses compensate workers, not just executives.'"

To contact your legislator, go to (https://aalu.quorum.us/campaign/5617/). To read more about the impact of these changes on deferred compensation, go to:

www.fulcrumpartnersllc.com/wp-content/uploads/2017/11/FULCRUM-PARTNERS-Special-Report-2.pdf.

Fulcrum Partners LLC:

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