Nonqualified Deferred Compensation Plans

From the Employer's Perspective

Question: Why do employers, as plan sponsors, offer deferred compensation plans?
Q. Why do employers, as plan sponsors, offer deferred compensation plans?

- 97% of employers offer deferred compensation plans in order to create a competitive benefits package
- 94% of employers want to help plan participants save for retirement beyond the limits of qualified plans
- 91% of employers believe a deferred comp plan helps them retain key employees
- 80% of employers want to help key employees better manage current taxation

Sixty-seven percent of plan sponsors report that they are concerned about losing key employees to competitors.

Q. What changes to plans are plan sponsors most likely to make?

- Offer different investment options: 40%
- Expand number of eligible employees: 28%
- Allow participants to defer more compensation into the plan: 22%
- Change plan design to reduce costs: 17%

Securities offered through Lion Street Financial, LLC (LSF) and Valmark Securities, Inc. (VSI), each a member of FINRA and SIPC. Investment advisory services offered through CapAcuity, LLC; Lion Street Advisors, LLC (LSF) and Valmark Advisers, Inc. (VAI), each an SEC registered investment advisor. Please refer to your investment advisory agreement and the Form ADV disclosures provided to you for more information. LAF/LSI and LSF are non-affiliated entities and separate entities from Fulcrum Partners and CapAcuity, LLC. BDO Alliance is a separate entity from Valmark Securities, Inc. and Valmark Advisors, Inc.

No part of this document may be reprinted without the express written permission of Fulcrum Partners LLC.
Q. How frequently do most employers review a plan to identify needed changes?

<table>
<thead>
<tr>
<th></th>
<th>One time per year</th>
<th>Multiple times per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment options</td>
<td>47%</td>
<td>29%</td>
</tr>
<tr>
<td>Participant eligibility</td>
<td>60%</td>
<td>13%</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>52%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Q. What percentage of employers contribute to their company’s plan and why?

- **54%** Contributed
- **46%** Retain key employees
- **28%** Restore lost 401(k) match
- **17%** Motivate key employees

Q. What role do employers expect financial consultants to play?

- **76%** Share information about regulatory changes
- **74%** Handle initial plan set up
- **63%** Assist with annual plan review/actions
Q. What factors build satisfaction with the plan recordkeeper?

- **89%** Easy to do business with
- **76%** Participant education resources available
- **85%** Partners effectively on plan-administrative challenges
- **75%** Legislative and regulatory support available
- **86%** Resources to offer the best plan
- **70%** Thought leadership

Statistics that appear in this document are drawn from *The 2018 Principal Trends in Nonqualified Deferred Compensation report*, an online survey of 271 NQDC plan sponsors conducted between June 25 and July 23, 2018. This report is based on information provided by: Principal Life Insurance Company and is shared with their permission. Principal Life is a member of the Principal Financial Group®, Des Moines, IA. Principal.com

Fulcrum Partners advises you to always consult your own tax, legal, and accounting advisers.

**ABOUT FULCRUM PARTNERS LLC:**

Fulcrum Partners LLC ([https://fulcrumpartnersllc.com](https://fulcrumpartnersllc.com)) is one of the nation’s largest executive benefits consultancies. A wholly independent, member-owned firm, Fulcrum Partners is dedicated to helping organizations enhance their Total Rewards Strategy. Founded in 2007, today the company has 13 nationwide offices and more than $7B in assets under management. Learn more about the Fulcrum Partners executive benefits advisory team at [Fulcrum Partners Managing Directors nationwide directory](https://fulcrumpartnersllc.com/managing-directors).

Fulcrum Partners is an independent member of BDO Alliance USA.