Business
Planning

Nonqualified Deferred Compensation

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Business Planning

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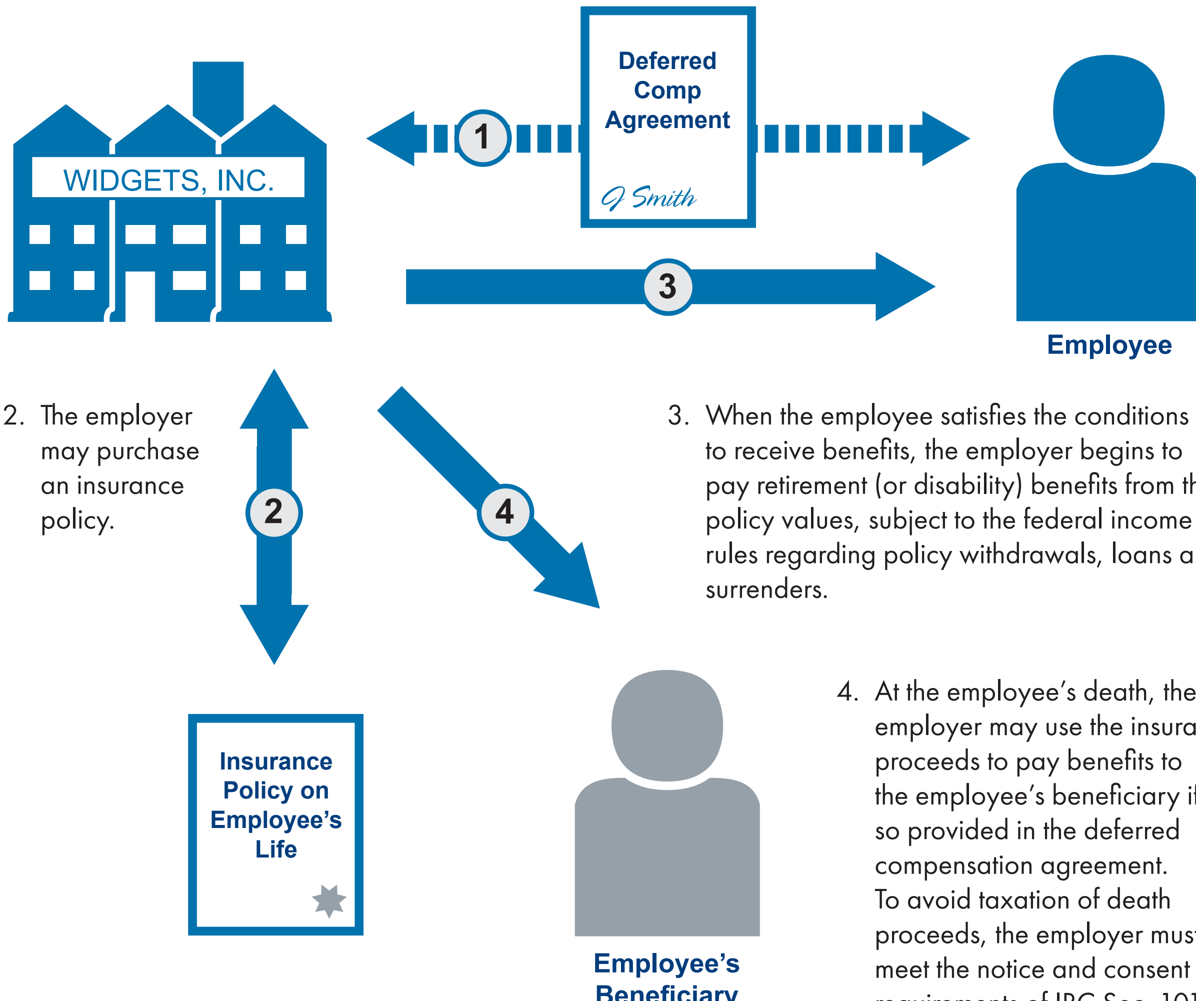
1. The employer and employee enter into a written nonqualified deferred compensation agreement.



2. The employer may purchase an insurance policy.

3. When the employee satisfies the conditions to receive benefits, the employer begins to pay retirement (or disability) benefits from the policy values, subject to the federal income tax rules regarding policy withdrawals, loans and surrenders.

4. At the employee's death, the employer may use the insurance proceeds to pay benefits to the employee's beneficiary if so provided in the deferred compensation agreement. To avoid taxation of death proceeds, the employer must meet the notice and consent requirements of IRC Sec. 101(j).