Attraction and Retention of the Key Employee

Most employers would agree that losing their top salesperson would have a major impact on future earnings for the company. Moreover, when the overall costs associated with finding, hiring and training a new employee are included in replacing the exiting employee, more and more employers would rather find a way to retain that key employee rather than letting them leave for an additional $10,000 of current compensation or some other fringe benefit.

According to a quarterly CEO survey released by the Vistage Confidence Index at the end of December 2012,

> "Most of the shift has been toward keeping the number of employees unchanged as just 11% expected to reduce their staffs. While the proximate cause is an anticipated slowdown in revenue growth, uncertainty about federal tax and spending policies has been the central cause for lower growth prospects."

It is in this light that small and mid-sized employers are trying to find ways of creating golden handcuffs, add additional benefits that were normally only available at larger corporations, or just outright increasing regular compensation.

Possible Solutions:

SERP – Supplemental Employee Retirement Plans have always been used in the larger corporations as a means to retain key employees, but because most smaller employers do not have a dedicated Human Resource person, it was often difficult to implement and maintain. With the help of Schiff Benefits Group these plans can be structured to resemble a 401(k), a phantom stock ownership plan, or as a defined benefit income program.

In each of these plans the employer would make the contribution on behalf of the selected employee, being as restrictive or lenient on the vesting of this benefit, and either funding the program on a pay as you go basis or setting cash aside in a separate account for later use of funding these future benefits.

Executive Long Term Care or Disability Insurance – With the ever increasing age of the US population, both Long Term Care and Disability Insurance are an ever increasing concern for key employees. It is estimated that 50% of the population will have a need to Assisted Living sometime during their life and as such more employers are offering these programs as incentives for employees who remain at the company after so many years.

Cost recovery plans – Because the cost of employee benefits may be increasing, employers are looking for ways to recover or offset these costs. While this has traditionally been done in the fortune 500 companies over the last 20 years, these plans are becoming more attractive to the small and mid-sized business owner.

As part of this program the employer may choose to purchase Company Owned Life Insurance to recapture the costs of benefit programs. The amount of insurance purchased is usually equal to the present value of the future benefit costs and the insurance will be paid for, owned by and the beneficiary will be the business. The insurance will remain an asset of the corporate and may have a positive impact on the future earnings of the company.

Because of insurable interest laws, it is recommended that the employer limit the insurance to only highly compensated or management employees and offer a pre-retirement survivor benefit in case of pre-mature death.

Schiff Benefits Group, LLC.
2 Bala Plaza, Suite 901
Bala Cynwyd, PA 19004
(610) 292-9330 Phone
(610) 292-9335 fax
info@SchiffBenefits.com
www.SchiffBenefitsGroup.com