

# It's Tax Time – How Are You Helping Your Clients?

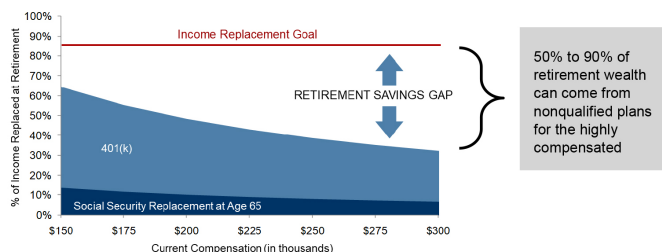
## A Thought Leadership Perspective on Nonqualified Deferred Compensation



Every year, tax season sparks the same questions from high-earning professionals: *Am I paying more than I should? Am I missing opportunities to create meaningful tax efficiency? Why do traditional strategies feel so limited?*

For executives, physicians, partners, senior leaders, and other highly-compensated employees, the reality is that qualified retirement plans—while valuable—simply don't optimize income, manage taxes, or build a holistic long-term financial strategy. Contribution caps limit their impact, and the timing of income taxation is often inflexible. As the diagram below depicts, the more an employee makes, the less effective the combination of Social Security and 401(k) Plans are in allowing these employees to accumulate the assets needed to retire and maintain their current lifestyle.

This gap is precisely why **Nonqualified Deferred Compensation (NQDCPs)** have become a cornerstone planning tool for companies competing for talent. These plans allow for smarter timing of income, greater tax efficiency, and enhanced savings opportunities—without the restrictions that accompany traditional qualified plans.



## Why NQDC Plans Matter More Today Than Ever

### 1. Rising Compensation and Compressed Marginal Tax Rates

For senior leaders, bonuses, equity compensation, and long term incentive payouts increasingly fall into top marginal tax brackets. Without a strategy to shift income into the future, a significant portion of compensation is consumed by taxes in the year it's received. NQDCPs allow participants to defer income into years where:

- » Their overall taxable income may be lower
- » Major deductions may be available
- » Delay income into retirement when their tax bracket may be lower

Rather than reacting to annual tax bills, executives gain the ability to shape their long-term tax liability.

### 2. Overcoming Qualified Plan Limits

High earners often max out their 401(k) contributions early in the year and still have substantial disposable income exposed to taxation. Because NQDCPs aren't constrained by IRS contribution limits:

- » Participants can defer significantly larger portions of salary, bonuses, and LTI (including RSUs)
- » Wealth accumulation can scale at a level aligned with their actual compensation
- » Investment growth inside the plan occurs tax deferred, amplifying long term results

This creates a more equitable retirement savings opportunity compared to the broad workforce.

### 3. Strategic Income Timing for Major Life Events

Tax planning isn't just about reducing current tax liabilities—it's about synchronizing income with life, career, and retirement milestones. NQDCPs offer distribution opportunities that can align with:

- » Retirement income needs
- » College tuition expenses
- » Home purchases or relocation
- » Planned sabbaticals or career transitions

By controlling when they receive income, executives control the taxation that comes with it.

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## A Competitive Benefit for Employers

Organizations offering NQDCPs are signaling something important: *We understand the financial realities of leaders at your level—and we're investing in your long term success.*

For employers, NQDCPs support “The Three Rs” that are important as every company competes for employees integral to every company's future success: **Recruit, Retain, Reward.**

### Key Talent Recruitment

Key employees evaluate roles not just on salary, but on the sophistication of the total rewards package. A NQDCP communicates that your leadership team is valued and supported.

### Retention Through Long-Term Alignment

With vesting schedules, distribution timing, and corporate match structures, these plans create thoughtful “golden handcuff” mechanisms—rewarding leaders for long term commitment without heavy balance sheet liabilities.

### Cost-Effective Benefits Expansion

Unlike qualified plans, NQDCPs can be tailored to a select group of employees, keeping costs focused and strategic. Additionally, a NQDCP is typically Cash Flow Positive and, depending upon how the plan is “informally funded,” the plan can be accretive to earnings.

## The Advisor Opportunity: Elevating the Tax Conversation

Tax season is when clients are most aware of what they earn—and what they lose to taxation. It's the ideal moment to elevate the dialogue from tactical to strategic by asking:

- » *Are you optimizing your income timing for long-term tax efficiency?*
- » *Do you have enough flexibility in your retirement planning tools?*
- » *How are you addressing the limitations of qualified plans?*
- » *Is your employer offering the benefits you need financially?*

For many clients, the honest answer is: *No one's ever shown me how.*

This is your opportunity to lead.

## Conclusion: Give Clients Another Arrow in Their “Benefit Quiver” that Builds Tax-Efficient Wealth

NQDCPs are more than a niche executive benefit—they are a strategic financial engine for individuals and organizations alike.

In a tax environment where high earners face diminishing flexibility, these plans restore control over income timing, taxation, and long term wealth creation.

By giving your key employees control over when they pay taxes, companies make every dollar of compensation more valuable, without increasing salary, bonus or equity compensation.

As tax season unfolds, your clients are seeking clarity, solutions, and confidence.

Helping your clients and key employees understand deferred compensation isn't just good planning—it's **good leadership.**

***For information and assistance regarding NQDCPs and Executive Benefits, contact Pete Lester, Senior Vice President at 410-252-0808 or [plester@lwarner.com](mailto:plester@lwarner.com).***

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The L. Warner Companies, Inc. • A Foundation Risk Partners Company  
1-888-866-0808 • [www.lwarner.com](http://www.lwarner.com)  
9690 Deereco Road, Suite 650, Timonium, MD 21093

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