AN INSIDE LOOK AT CURRENT PRACTICES

IN NON-QUALIFIED DEFERRED COMPENSATION

QUESTIONS AND ANSWERS

OCTOBER 19, 2017 WEBINAR

What are the primary advantages of using COLI to fund a plan, over mutual funds?

There are several options when it comes to funding NQDC plans, and the best option depends on the circumstances, company preference, and the ultimate goal of what the plan sponsor is trying to achieve with their deferred compensation plan. The primary advantage of funding a plan with COLI over mutual funds is the tax advantage. If you currently fund your plan, the assets are on the company balance sheet and all the investment income is potentially subject to corporate income taxes. If funding with either variable or general account COLI, that same investment return is not subject to corporate income taxes. Instead of paying income tax on dividends or interest on realized gains, you pay an insurance cost. That insurance cost over the long-term is less than the taxes that you would otherwise pay on mutual funds. Typically, there is anywhere from 150-250 basis points improvement in yield when funding with COLI instead of mutual funds.

If you're interested in more information on the calculations, assumptions and financial modeling that goes along with this assessment, or if your clients are looking at different funding options, our team is happy to provide more information. You can find your local Newport Group regional director on slide 32 of the webinar presentation, here.

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Do you provide a template plan document for standard plan design as part of your services at Newport Group?

Yes, Newport Group provides a template plan document as a service included in our administrative fees. We typically begin by providing a plan design grid, where all the details of the plan design are laid out. Our team then works with you and your client to develop a plan design tailored to their needs, and from there, we create a plan document. In this way, we can provide you with a template structure that is ready to go, doesn't require a lot of change or editing, and works seamlessly on our platform. Newport Group also has a standard trust document we can provide, that works with our trust company, Newport Trust Services or other major trust companies currently in the market.

Has Newport Group seen indexed universal life insurance in a COLI version to use as plan funding and crediting methodology for non-qualified deferred compensation plans?

While we have seen indexed universal life insurance used as plan funding methodology for NQDC plans, we don't typically use this method with our clients. We believe in letting participants drive their investment choices, and determining funding based on that starting point. There are some applications of indexed universal life for SERP funding and other types of balance sheet funding.

Do you offer integrated pricing for clients offering both qualified and non-qualified plans together?

Yes, absolutely! Earlier this year at our annual advisors' conference, we rolled out an integrated pricing model which allows advisors to offer non-qualified plans to the smaller company market and compete very well with other firms that do bundled or integrated qualified/non-qualified plan administration. Advisors working with Newport Group now have both qualified and non-qualified plan platforms available to all of their clients. Alongside that, we do offer integrated pricing, which is at a discounted rate from our normal stand-alone non-qualified plan pricing when paired with a qualified plan when utilizing certain plan design features.

How often does Newport Group publish the non-qualified deferred compensation survey?

The survey is published every two years. The current version is our 2017-2018 survey, and we'll soon begin working to field the 2019-2020 survey next year.

Find Out More:

To learn more about the current practices in non-qualified deferred compensation, contact your Newport Group representative.