

THE PRIVATE JET LIFESTYLE MAGAZINE

ELITE

T R A V E L E R

MAY/JUNE
2011

14
DAYS IN
TURKEY

\$50.00

DEFERRED COMPENSATION

How does a firm pay exceptionally well for performance and lock in exceptional talent? How does a firm keep its best people motivated while making it psychologically and financially difficult to leave? The answer often comes in the form of deferred compensation. BY RUSS ALAN PRINCE

In addition to paying key employees well, it's often wise to put some of their earnings "on the side" to grow, keeping them highly focused for everyone's benefit.

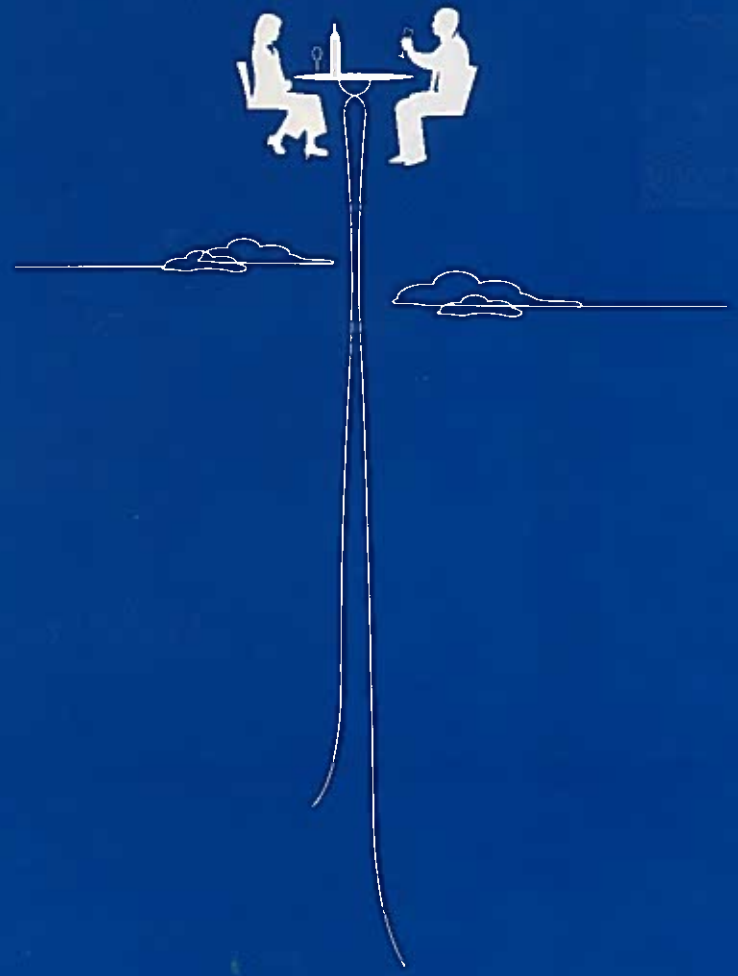
"Ultra-wealthy clients are making deferred compensation a larger component of total compensation for a range of key employees," explains Richard J. Flynn, head of the **Rothstein Kass Family Office Group** in New York. "Whether these employees are working in their business or production company or their personal investment firm, well-executed deferred compensation plans help to incentivize performance and often offer greater total compensation over an extended employment period, supporting higher retention rates. As a result, deferred compensation can be very motivational and rewarding for both the employees and the employer."

There's a multitude of ways to create a deferred compensation program. According to Keith M. Bloomfield, the president and CEO of the **Forbes Family Trust** in New York, "There are a plethora of structures and investment possibilities that are applicable. The best combination of structures and products is a function of the goals and objectives of all the parties involved." Additional elements that come into play include the vesting schedule, or when the employee has access to the various monies, and clawback provisions—how the employer can access the pool of funds in a deferred compensation program when the employee fails to meet preset goals.

What's the right answer when it comes to funding, structure or vesting? The answer is quite simple: It depends. "While each case is different, one constant is the significant time that we spend with clients and resources devoted to creating a deferred compensation plan," notes Flynn. "There are many forms that deferral arrangements can take, and it is critical to work closely in collaboration with clients to ensure that all parties will benefit from implementation of an optimal solution."

While today there are many ways of funding deferred compensation programs, we're seeing a growing trend in the creative use of high quality tax-efficient vehicles. One example of this is private placement life insurance. "The ability to have top-notch investment talent managing the monies, coupled with a tax-deferred environment, is making private placement life insurance a powerful funding option when it comes to deferred compensation," explains Frank Seneco, an advanced planning specialist and the president of **Seneco & Associates** in New Haven, Connecticut. "This is why private placement variable life insurance is increasingly becoming a very strategic component of many deferred compensation plans."

A ROMANTIC ATMOSPHERE. OR IS IT
STRATOSPHERE?



EXCLUSIVE ROOMS.
EXCLUSIVE SERVICE. EXCLUSIVE VIEW.
APPROACHABLE RATES.

*Top of the
Park Lane*

A HELMSLEY HOTEL
NEW YORK

TAKE A WALK ABOVE THE PARK

A MEMBER OF

SUMMIT
HOTELS & RESORTS

36 CENTRAL PARK SOUTH, NEW YORK
212 371 4000 | HELMSLEYPARKLANE.COM