



## Advanced Markets

# Planning in Action

### Surfin' with SERPs — navigating the waves of an uncertain labor market

#### Case in point

A sales strategist working for one of John Hancock's distribution partners contacted Advanced Markets to advise on a case. The agent he was partnered with was engaged with a manufacturing client who had recently become concerned about their benefit package. Talk of the "great resignation" and a tightened labor market made the client realize a need to enhance their attractiveness to current and potential employees.

#### Designing a case & creating a plan

In discussing the case, the strategist indicated that the client had expressed three main goals. First, an interest to include only those employees who were crucial to the operation. Second, to realize cost recovery of the plan if possible. Finally, to ensure the corporation had at least some control of the plan. The decision was made to go with a Supplemental Executive Retirement Plan (SERP) — a type of non-qualified deferred compensation plan.

#### How it works

- Corporation institutes an agreement whereby they will fund a retirement benefit for the key participants.
- The budget is \$10,000 a year per employee.
- That amount is used to pay premiums into a John Hancock Accumulation VUL policy that is owned by the corporation which can be used to provide: 1) informal funding of the retirement benefit for the designated employees and 2) plan-cost recovery for the corporation via the policy's death benefit.

#### Client profile

- Manufacturing corporation
- 76 employees, \$3 million in net revenue per annum

#### Fact finding

- Identified eight key employees to participate
- Employees age range is late 30s to mid-50s
- Participants are maxed out on qualified plans
- Client is familiar with plan administration through other employee plans

## How it works

Flexibility and control are the key to this arrangement. The business can control a funding vehicle that meets its specified needs while also providing a retirement benefit to its employees.

### Corporate control

The corporation will own and be the beneficiary of the life insurance policy. The policy's potential cash value is a general asset of the corporation and can be used to informally fund the SERP obligation or for other corporate purposes. Also, unlike a qualified plan, the corporation can decide who should be allowed to participate. Plus, the withdrawals/loans from the policy are received tax free.

### Employee benefit

Employees benefit in multiple ways. They now have another potential source of retirement income provided by the employer at no cost to themselves and with taxes deferred until they receive the benefit and are incentivized to stay with their company to receive the benefit under the SERP agreement.

## Conclusion

In-demand employees are increasingly negotiating attractive benefit packages. To be an employer of choice, corporations must adapt. SERPs offer a flexible plan that provides a unique benefit while allowing employers to maintain control as they navigate the challenging seas of today's adjust to today's labor environment.

## Resources

- JH Solutions Presentation: SERP (for client use)
- SERP Client Guide

Call Advanced Markets at **888-266-7498, option 3** to speak with an Advanced Markets Consultant, or email [advancedmarkets@jhancock.com](mailto:advancedmarkets@jhancock.com)

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