A **Guide** for
Business Owners

Be a finder and a keeper

How to attract and retain key employees

Inside you'll discover options to help you attract and retain the talent you value most.

Creating a plan to help attract and retain key employees is a good decision.

Get started by reviewing some options, program benefits and tax considerations.

Help your business attract a valuable employee community

Your options	Employer benefits & tax considerations	Employee benefits & tax considerations	Things to think about
Annual or sign-on cash bonus ***A selective benefit***	• Employer may have signing bonus regulations (e.g., one-year employment minimum). • Employer can deduct annual bonus amount.	• Annual benefit (often expected by employee). • Employee pays income tax on bonus received.	• Does your company provide an annual bonus or signing bonus to help attract top employees? • How do you determine the annual or signing bonus amount?
Workplace amenities ***Daycare subsidy**** ***Health center**** ***Wellness options**** ***Employee assistance programs***	• Goodwill with employees. • Costs are deductible by employer.	• Company may charge a fee or may offer subsidy for participation.	• What types of workplace amenities do you offer? • Have you determined the types of benefits your employees are interested in?
Defined contribution plans	• Ability to offer retirement plan. • Costs are deductible by employer, up to specific limits. (As long as contribution is under specified government limits, then costs are deductible by employer.)	• Employee can contribute to retirement plan. • Funds withdrawn from an employer sponsored plan at any point are taxed as ordinary income to the participant in the year of withdrawal, if monies are taken prior to age 59½ then an additional 10% penalty is enforced on monies taken out (additional income tax) unless an exception is met under the subsections of IRC Section 72(t).	• Do your competitors offer retirement benefits? • If your company does not currently offer a retirement plan, what specific obstacles are holding you back? • Do you want to offer your employees a retirement benefit that is deductible to you?
Defined benefit plans	• Ability to offer retirement plan. • Costs are deductible by employer, up to specific limits. (As long as contribution is under specified government limits, then costs are deductible by employer.)	• Ability to create a retirement funding vehicle. • Funds withdrawn from an employer sponsored plan at any point are taxed as ordinary income to the participant in the year of withdrawal, if monies are taken prior to age 59½ then an additional 10% penalty is enforced on monies taken out (additional income tax) unless an exception is met under the subsections of IRC Section 72(t).	• Do you want to offer employees a flexible retirement benefit?
Medical expense reimbursement programs (cafeteria plans)*	• Favorable tax treatment. • Valuable service for employees. • Costs are deductible by employer.	• Allows employee to pay medical expenses on pre-tax basis, up to $5,000.	• Would your employees like to have a variety of benefit options? • Do they want flexibility to expand their benefits while paying some costs themselves with pre-tax dollars?

*Services not provided by MassMutual.

Help your business retain key employees

Your options	Employer benefits & tax considerations	Employee benefits & tax considerations	Things to think about
Executive Bonus Plans (162 Bonus Plans) **Funding vehicles include:** ***Life insurance*** ***Disability income insurance*** ***Annuities*** ***A selective benefit***	• Employer deducts bonus(es) paid. • Minimal administrative costs. • Minimal record keeping. • Ability to offer supplemental retirement benefits to key employees. • Employer can utilize a leveraged bonus concept for more control over policy.	• Flexibility as to what type of funding vehicle is used within the plan. • Values of a life insurance[1] policy or annuity can be used to help supplement or provide retirement income. • A life insurance policy will pay benefits to the employee's beneficiaries at death OR a disability income insurance policy will provide income to the employee in the event of disability. • Employee pays income tax on bonus(es) received.	• Who are your top employees that you would want to offer this type of benefit to? • Do you currently offer a supplemental incentive plan for your top employees? • Would you like to provide the option for the employee to retain coverage if he/she leaves your company? • Would you like the option to have multiple funding vehicles?
Non-qualified Deferred Compensation Plans ***A selective benefit***	• Depending on the structure of the plan and how benefits are paid, the life insurance policy's proceeds or cash value can be used to recover the cost of the plan for the employer and pay a benefit to the employee's beneficiaries in the event of death. • Employer premiums are not deductible, but insurance proceeds received at death are income tax-free. (AMT considerations for C-Corps.)	• At retirement, the employee is eligible to receive income taxable supplemental retirement income from the employer. • If the employee dies, the employer pays the employee's beneficiary an income taxable survivor benefit.	• Who are your top employees that you would want to offer this type of benefit to? • Is the option to replace a key employee within this type of program, if he/she leaves the company, important to you? • Do you want to provide a benefit to your employees, but still control the asset?
Split Dollar Plans (Non-equity) ***A selective benefit***	• Employer owns cash values. • Employer receives greater of cash values or premiums paid at death or termination.	• Employee's family receives death benefit in excess of cash value income tax-free. • Employee reports income on small economic benefits costs each year.	• Who are your top employee(s) that you would want to offer this type of benefit to? • Do you want to provide a benefit to your employees, but still control the asset?
Individual disability income insurance ***A selective benefit***	• Employer gives employees opportunity to obtain discounted individual disability income insurance coverage, a sought-after and meaningful benefit. • Should an employer pay all, or some, of the costs, generally speaking, the premiums paid are tax deductible.	• Employees receive individual disability income insurance coverage at discounted rates. • If employees pay premiums for coverage, benefits received are generally tax free. • Employees may be able to protect their ability to continue saving for retirement if disabled.	• How would your company be affected if an employee or key person suffered a long-term disability? • What effects would a long-term disability have on an employee and their family/loved ones?
Personal financial planning services* ***A selective benefit***	• Goodwill with key executives. • Potential for a more financially sound key executive population. • Employer may be able to deduct employee financial planning-related services.	• Employee receives financial planning services at no cost. • Employee feels that employer cares about his/her financial well-being.	• If your company currently provides an employee benefit package which includes, for example, health insurance, and/or Group LTD, would your employees appreciate the opportunity to discover ways to enhance and supplement current company offerings? • Do you have key employees you want to provide this service to?

*Financial planning services offered through Investment Advisor Representatives of MML Investor Services, Inc., a MassMutual broker-dealer subsidiary.

Next steps

1. Take stock: Inventory the programs you already have implemented and determine a timeline to have them reviewed by a financial professional.

2. Review personnel: Determine who your most valuable employees are. If those employees are critical to the success of your business, develop a strategy to help keep them working for you.

3. Think big picture: Begin working with your financial professional to outline your long-term personal and business financial goals. Planning for the unexpected is just as important as planning for your expected growth, diversification or even the sale of your business.

[1] Distributions under the policy (including cash dividends and partial/full surrenders) are not subject to taxation up to the amount paid into the policy (cost basis). If the policy is a Modified Endowment Contract, policy loans and/or distributions are taxable to the extent of gain and are subject to a 10% tax penalty. Access to cash values through borrowing or partial surrenders can reduce the policy's cash value and death benefit, increase the chance the policy will lapse, and may result in a tax liability if the policy terminates before the death of the insured.

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CRN201410-140269