



Thrivent

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Special Planning Considerations for Executives

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What planning considerations should executives bear in mind?

Historically, many corporate executives (rather than their employers) have been in a position to propose or demand attractive compensation packages. In addition to competitive salaries, many high-level employees are asking for (and receiving) bonuses, stock options, extra vacation time, flexible hours, and other perks. In order for you to negotiate a creative compensation package, however, you need to be aware of the typical incentives available.

How do you negotiate a compensation package?

To negotiate effectively, you need to take the following steps.

Find out what similar professionals are earning

The first step in negotiating a compensation package is to be aware of the salary level that other professionals in a similar position are commanding. You can obtain this information by word of mouth, through perusal of classified advertisements and newspaper articles, and by accessing certain Internet sites that contain salary surveys. Regarding the Internet, you might wish to consult *The Wall Street Journal's* Executive Career Site for a survey of median salaries in different job categories.

Be able to articulate your own value

If you're looking for a raise or seeking to add perks to your present compensation arrangement, be sure that you can quantify or at least articulate how you have helped your company meet its goals. If you're looking for a new job, demonstrate how you've succeeded in prior positions.

Become familiar with different kinds of compensation arrangements

Employers generally wish to attract, motivate, and retain qualified executives and other key employees. For top executives, straight salary is rapidly becoming a thing of the past. If you want perks in addition to a top salary, you must become familiar with the various compensation arrangements available.

Don't jump at the first offer

If you're an executive, bear in mind that an employer's first offer is often not his or her final offer; everything is negotiable. Go into your negotiations having already practiced how to say no (in a polite way).

What are some typical examples of executive perks?

There exist a myriad of different incentive arrangements. Keep in mind, though, that several employers will use golden handcuffs to ensure that they (as well as you) derive maximum benefit from incentive packages. Briefly, golden handcuffs refer to the combination of rewards and penalties given to key employees that compensates them so generously for staying with the company (and punishes them so severely for leaving) that it would be undesirable for the employees to leave the company.

The following are examples of typical incentive packages.

Golden parachutes

Golden parachutes are severance agreements that protect key employees from the effects of a corporate takeover or change in control. They provide key employees who are terminated (or who have resigned) as a result of a takeover or change in control with either continued compensation for a specified period following their departure or a lump-sum payment.

Incentive stock options

An incentive stock option is a right or option granted by the sponsoring corporation to its employees to purchase shares of the corporation's stock at a certain price for a specified period of time, notwithstanding an increase in the value of the stock after the

option is granted. Incentive stock options received must satisfy certain requirements imposed by the Internal Revenue Code. However, if they meet these requirements, they offer advantageous tax treatment to the employee.

Nonqualified stock options

Nonqualified stock options are similar to incentive stock options, but they offer more flexibility and fewer tax advantages.

Phantom stock

Phantom stock arrangements are based on hypothetical investments in company stock. More specifically, phantom stock is the right to receive a cash or a property bonus at a specified date in the future based upon the performance of phantom (rather than real) shares of a corporation's common stock over a specified period of time.

Fringe benefits

Fringe benefits may be defined as noncash compensation benefits provided by employers. They may take a variety of forms, including employee discounts, free parking, meals and lodging, and athletic facilities.

Nonqualified deferred compensation

A nonqualified deferred compensation plan is a contractual commitment by an employer to an employee to pay currently earned compensation in a future year. It is often possible for an executive to increase retirement benefits with these plans.

Split dollar life insurance

Split dollar life insurance is an arrangement between an employer and an employee in which there is a sharing of the costs and benefits of the life insurance policy. It can provide current life insurance protection to an employee in an amount he or she might not otherwise be able to afford.

Below-market executive loans

Below-market executive loans are loans a nonpublicly held company makes available to its executives as a supplement to their regular compensation. Typically, such loans are interest free or made at favorable interest rates.

Caution: Loans made by publicly held companies to executive officers and directors are prohibited under the Sarbanes-Oxley Act of 2002.

Executive business expense reimbursements

Executives often incur business-related expenses when furthering the company's interests off-premises. For instance, an executive might be required to take a client out for lunch. Companies will often reimburse executives subsequently for these business expenses.

Executive bonus plans

An executive bonus plan (also known as a Section 162 plan) involves an addition to regular salary or compensation that is provided, usually near the end of the year, to enable employees to share in profits resulting from a successful year.

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