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Why successful businesses need "key man" benefits to attract and retain top people

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"The competition for top talent is fierce and getting fiercer," this is a quote from a top executive headhunter and is a key reason why all businesses need to use effective discriminating benefit tools to attract and retain top people. All companies that hope to grow, stay competitive and stay "on top of their game" need quality people.

It is literally impossible for most individuals with six figure incomes to accumulate anything close to what they need for retirement using conventional 401k plans alone. Between the combination of the social security contributions your company makes and the 401k plan you offer, you enable employees earning less than $100,000 per year to meet most of their needs for retirement but this falls progressively short of meeting the needs of your key people as their incomes increase. In other words, unless you take action specific to address the retirement and planning needs of your highly compensated individuals, you are penalizing the few individuals who provide the most value to the corporation. No company would elect the strategy of providing the least proportional value to the very individuals who create the most value within the company, owners included.

In most companies we have studied the number of key people is usually small, often between three and ten and sometimes only one or two. Because selective benefits can be done on an individual basis or what is even described as a discriminating basis, each and every company can create its own unique solutions and be completely selective with whom it covers and creates value for.

The other widely misunderstood concept of using selective benefit strategies is control and cost recovery.

Because each corporation has its own unique objectives, executive benefits can be utilized to encourage a key person to stay and commit to the company's success and longevity. You can greatly increase your odds of executive retention, even when the competition attempts to lure your executive with a higher salary by the use of the risk of forfeiture if an executive elects to leave your company to join another or create their own company to compete against you,. You have created a retention incentive, non-compete plan that beats all the competition hands down.

Significant meaningful benefit value linked with real risk of forfeiture can be the "tie that binds" top talent to a winning company.

Multi generational success doesn't just happen by chance. Often strategic, effective benefit designs enables the company to grow and prosper even during a time of succession when strong key people can be critical for continued stability.

In the long term, selective benefits can and often do have complete and total cost recovery features in order that future generations of owners can have a circulation of cash flow to help ensure continued growth and prosperity.

Often in the construction industry non-compete clauses are widely utilized but sometimes difficult to enforce. You have seen good companies fail because of cash flow stress, owner's retirement or plain old bad decisions. There is a saying that "any plan that doesn't address all potential possibilities is no plan at all." A benefit that can be effective in retaining a key person when the going gets tough or when a period of change is present can be a possible lifesaver for a company.

Benefits cost most companies over one third of payroll and that cost is expected to increase. Developing benefits that have built in cost recovery can go a long way to fund the benefits for future generations of company leaders.

Plans can be designed with modest amounts of resources. With a known future benefit and fixed yearly deposits, a company can realize total cost recovery after the payout of the benefit obligation is complete.

These are the same concepts top public companies use but customized and properly designed for closely held organizations whose goal is to be secure and prosperous well into the future.

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