

KEEP MORE OF WHAT YOU MAKE!

Or the art of Overcompensating Key Executives



CalRima

Financial & Insurance Agency

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By Richard D. Loek,

Investment Advisor Representative



Welcome

- **Rick Loek** is founder and CEO of CalRima Insurance, he has been around Silicon Valley his entire life.
- He has a long history of working around high tech and is an entrepreneur.
- In 1996 he founded the Silicon Valley Java Users group and he now considers himself to be a recovering software engineer.
- Rick is passionate about protecting peoples' futures.
- In this session Rick will dive into Executive Compensation and how to highly compensate executives utilizing employee benefits.

Welcome

- Thank you Greg, Dick & Indu
- Presentation Length
- Joke



Executive Comp 101

- What is possible
- IRA Basics
- Qualified plans – 401k
- Non-Qualified Plans
- Other types of compensation
- Conclusion



DISCLAIMER

FOR EDUCATIONAL PURPOSES ONLY!

Although effort was taken to ensure the accuracy of these materials Richard D. Loek assumes no responsibility or liability for an individual's reliance on these materials.



Richard Loek

- IRA Technical Expert
- Ed Slott Trained
- Master Elite IRA Advisor
- Ed Slott – PBS right now
- IRA Distribution Planner
- Annuity Expert
- Life and Health Insurance Benefits



Executive Compensation

- IRA, such as SEP & Simple
- 401(k)
- Life Insurance
- Annuities
- Roth IRA & 401(k)
- Other Insurance



IRA Basics

- Who can have an IRA; under 70 1/2
- How do you fund an IRA
- How much can you put in an IRA
- Roth IRA – not limited by age!
- Converting a traditional IRA to Roth
- RMD's – Required Minimum Distribution



IRA Basics Continued

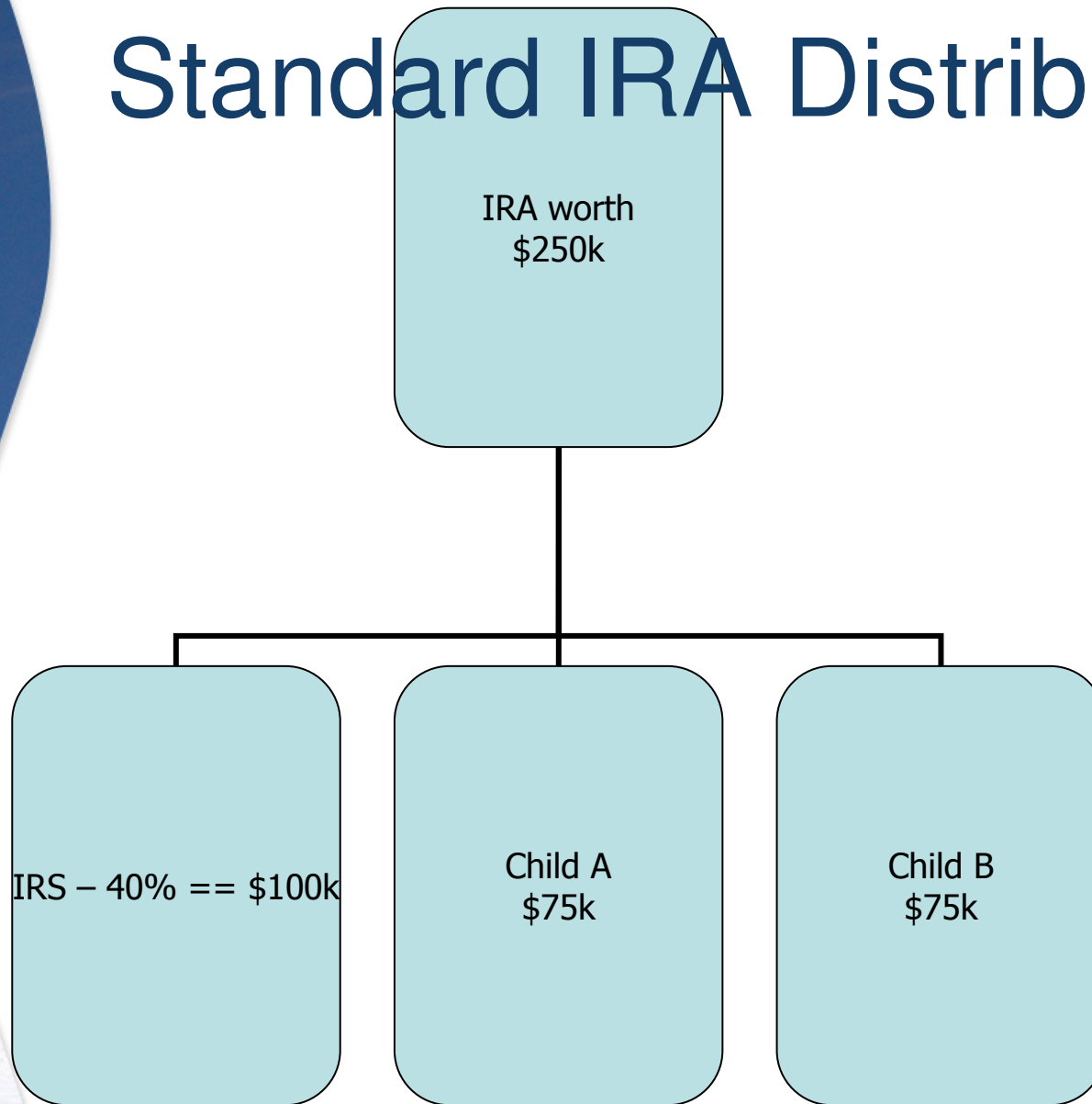
- RMD's on hold in 2009
- After tax money in a 401(k)?
- Stretching an IRA



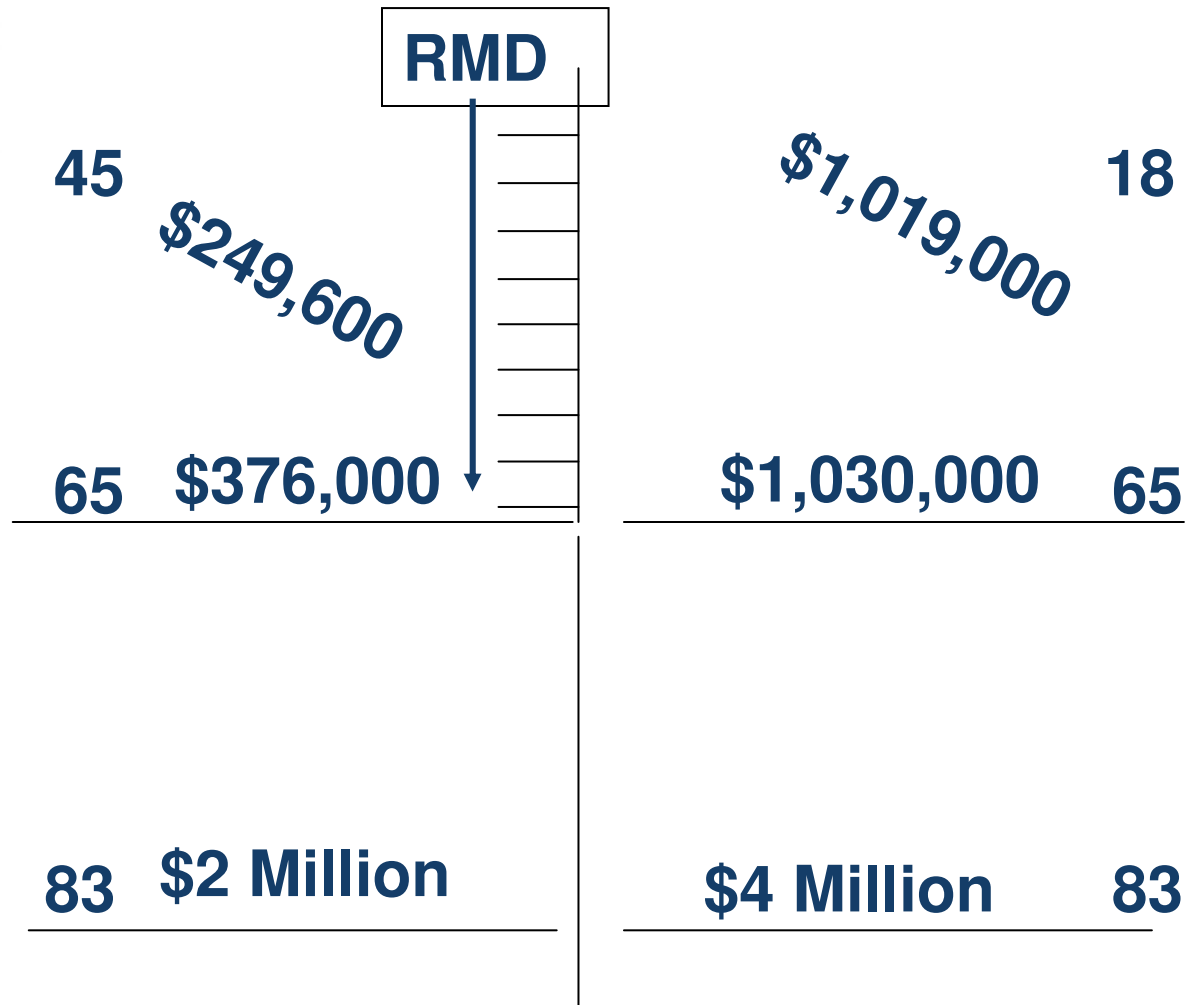
IRA vs Self-Directed IRA

- Technically an IRA is self-directed
- Special custodian for Self-directed IRA
- You can use a Self-directed IRA to purchase non-traditional assets such as real estate and even interests businesses

Standard IRA Distribution



Imagine \$250,000 at 6%





Qualified Plans can Rollover

- At some point you'll leave a company and you'll want to take your 401(k) or other qualified money with you.



Qualified Retirement Plan

- Contribution limits in 2009
 - 401(k) is limited to \$16,500
 - SEP IRA is limited to 25% of \$245,000 salary
 - Simple IRA – is limited to \$11,500
 - Subject to ERISA (Employee Retirement Income Security Act)



Non-Qualified Plans

- Non-Qualified Deferred Comp
 - Both Funded and Unfunded
- Section 162 Plan
 - Bonus & Double Bonus plans



Non-qualified Deferred Comp

- Unfunded
 - A promise to pay in the future
 - Generally avoids ERISA
 - Also called a “Top-hat” plan
 - Must be Restrictive to avoid ERISA



Non-qualified Deferred Comp

- Funded
 - Monies set aside in a trust
 - Must generally comply with ERISA



Non-qualified Deferred Comp

- Defer earned income
- Can be subject to vesting
- Taxes are paid by employee
- Returns may be taxed as earned
- May need to be registered with SEC



Non-qualified Deferred Comp

- Generally not deductible to employer until employee withdrawals money
- Could be lost in a bankruptcy
- Subject to claims by company's creditors
- Can have a "Golden Parachute"



Section 162 plan

162 Executive Bonus Plans are designed for selected, key employees giving total discretion to the employer. To be effective it must usually be used under a "C" corporation versus an "S" corporation. Eventually, the plan will provide a source of tax-free retirement income for the participant.



Section 162 plan

- Employer side of the plan
- Employee side of the plan



Section 162 plan

- Employer
 - Pays premium on cash value life insurance, which is deductible
 - Chooses which employees benefit
 - Can stop at any time
 - Sets the amount of coverage
 - No max or min to spend



Section 162 plan

- Employer
 - Can request endorsement on the policy to restrict access to the funds
 - Can establish agreement of repayment of premium if employee leaves before a set date
 - Does not need to do anything with IRS



Section 162 plan

- Employee
 - Pays taxes on the bonus
 - Names beneficiary
 - Tax free accumulation
 - Completely portable
 - Peace of mind for the family

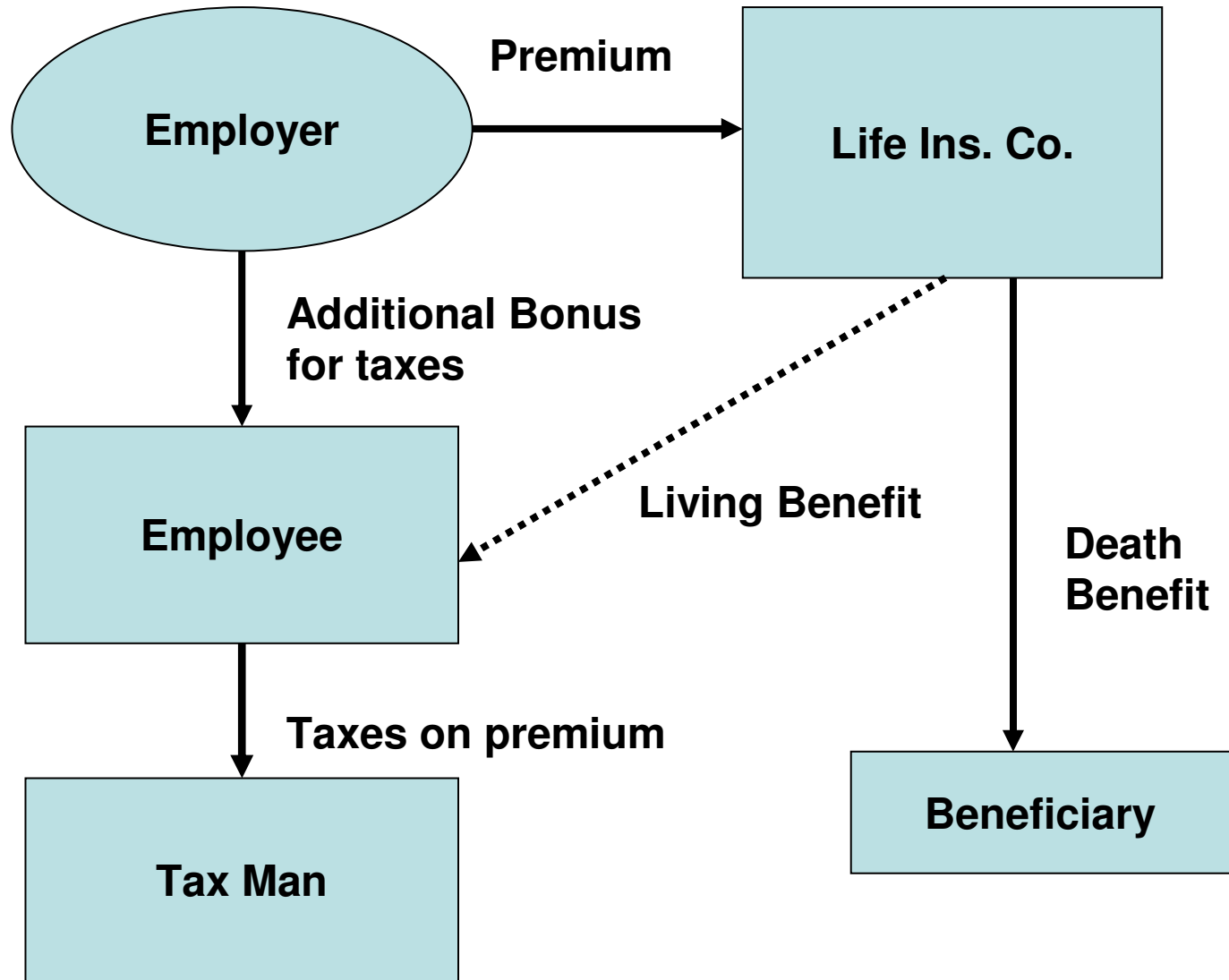


Section 162 plan

- Employee Cont.
 - Living Benefits
 - Tax free retirement money through loans
- Great example:

Client got divorced, ex had messed up credit and the car loan was to be pretty steep. Borrowed money from own policy and save \$\$

Section 162 plan





Other Benefits

- Long-term Disability Insurance
- Long-term Care Insurance



Other Benefits

- Long-term Disability
 - Provided income should you become disabled



Other Benefits

- Long-term Care Insurance
 - Provides money to care for you should you become hurt and unable to care for yourself
 - Not just nursing home
 - Maintain dignity
 - Not exhaust your family
 - Not exhaust your bank account



In closing

1. Start now – plan for the future
2. Choose a skilled team to work with
3. If you have questions – call me at 408-314-8252 or email me rloek@calrima.com



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Thank you for your time

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