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ATTENTION DECISION MAKERS: IT'S TIME TO MAKE A DECISION -- ABOUT YOUR YEAR-END NQDC CHOICES

By Charles "Chuck" Steege, CFP®, Executive Financial Coach and President, SFG Wealth Planning Services, Inc.

It's that time of year when the thoughts of compensation-savvy C Suite executives turn to their new elections for their Non-Qualified Deferred Compensation (NQDC) plans.

For many senior executives, however, pressed by other demands on their time, decisions about their NQDCs can be overly perfunctory – or non-existent at year-end.

This can lead to missed opportunities for tax-deferral; or unrealistic personal spending projections in the New Year.

As urgent as NQDC decision making is at year-end, any decisions have to be of the crystal ball variety.

Here's why: According to the strict IRS 409A Rule that governs NQDC, you must make decisions about your 2011 NQDC distribution at least 12 months before the scheduled distribution date.

That means, in effect, you have to make a best estimate or "guess" of how much of next year's compensation you will actually need to spend, as well as save for emergencies.

For love or money

NQDCs are a way for corporations to show favored employees some "love" by providing additional compensation that can grow tax-deferred. If you are eligible for an NQDC plan, you can defer receiving this income until a time you elect upfront, such as to retirement or a specific number of years into the future for other financial goals.

What's there not to like about all of this love?

Simply this, there are key decisions that fall on you at this time of year that must be made if you wish to avoid having your NQDC plan turn into a kind of Trojan horse full of adverse tax surprises.

It's only after making a best effort at those decisions with the help of a spouse or financial advisor that you can decide what percentage of your compensation should be deferred.

Mr. Steege is President and Chief Executive Officer of SFG Wealth Planning Services, Inc. (SFG), a fee-only financial planning firm. Founded 15 years ago, SFG is dedicated to assisting senior executives and their employees with their complex stock-based compensation and planning challenges.