

## Non-Qualified Retirement Plans

The types of non-qualified plans are unlimited. They can be as simple as making a contract with yourself to contribute to a savings account each month, or they can be as involved as deferred compensation arrangements that are funded by insurance.

A non-qualified plan is any type of tax-deferred, employer-sponsored retirement plan that falls outside of ERISA guidelines. Non-qualified plans are designed to meet specialized retirement needs for business owners, business professionals and other high net-worth individuals. These plans also are free from the inequitable and top-heavy testing that qualified plans are subject to.

There are four main types of non-qualified plans:

- 1)  
Financed plans
- 2)  
Executive bonus plans (pays life insurance premiums)
- 3) Top-hat  
plans
- 4)  
Deferred compensation plans

The contributions to non-qualified plans are typically nondeductible, and are typically taxable to the business owner as well. However, they typically allow business owners to defer taxes until retirement, when they are presumably in a lower tax bracket. Non-qualified plans are often used to provide specialized forms of compensation to key executives or employees in lieu of making them partners or part owners in the company or corporation.