



The Great Resignation: Tools to Help Fight It

If you're a business owner, by now you've undoubtedly heard of the Great Resignation, sometimes known as the Great Reshuffling.

Employees are quitting and moving to different companies, some in completely different fields. Indeed, you may have experienced it in your own business, and it may have adversely impacted the sales, revenue and growth of your business.

The term "Great Resignation" has been attributed to Professor Anthony Klotz of Texas A&M University, in May 2021, reacting to the unusual number of people leaving their jobs. Indeed, the U.S. Bureau of Labor Statistics estimated that 47.8 million people "quit" their jobs in 2021¹. At the time, many pundits attributed that to the pandemic, but recent evidence suggests that the Great Resignation could be related to something more. *Forbes* reported its survey findings that there are "talent shortages for certain jobs, skill areas, and geographies that could last for years²." A Pew Research Center study cited "low pay (63%), no opportunities for advancement (63%) and feeling disrespected at work (57%) were reasons why they quit³."

Is the Great Resignation a direct result of the COVID pandemic or is it something different? Does it really matter? Regardless of the cause, you need to have a solution for employee dissatisfaction causing them to quit. Reasonable solutions are necessary to help prevent your best and brightest employees from leaving your company.

Fortunately, there are several possible solutions that can be easily implemented and provide the necessary incentives for your top employees to stay, including ensuring that they are valued and respected by the company, and that they are adequately compensated for their hard work.

The following are brief descriptions of just a few strategies that can be used to incentivize your best employees to stay. The strategies provide unique benefits to a select few, namely your most important employees. Your Security Mutual Life insurance advisor can help you determine which strategy best fits your unique situation and develop a plan to implement it.

Executive Bonus Plans

In its most basic form, an Executive Bonus plan helps your key employee protect his or her family, and build up supplemental savings for retirement, college funding, or for a large purchase. Each year, provided that the employee meets the high-performance standards expected, the employer provides an additional compensation bonus in the form of a premium payment for a cash value life insurance policy owned by the employee. The life insurance death benefit helps to financially protect the family while cash value accumulation can be utilized as supplemental savings.

Other variations to the Executive Bonus Plan exist. One popular variation allows the employer to include conditions that restrict the employee's access to the policy cash values without the employer's consent, tying the employee closer to the company.

Retention Bonus Plans

A Retention Bonus or Stay Bonus Plan is a relatively simple concept and strategy. In consideration of your employee staying for a predetermined period of time (e.g., 5 or 10 years), when that time period is met your employee will receive a substantial lump sum bonus. If they don't stay for the time period required, they don't get the bonus. This plan is offered very selectively. A few examples where this may be desirable: a) to retain employees who are critical to the success of long-term projects; b) to retain top management to mentor and groom successors; c) to retain top talent and management to ensure the success of a business continuation plan; d) to retain employees who are difficult to recruit and retain because they have unique or highly specialized skills; e) to retain employees who are highly sought after by the competition or who have their own entrepreneurial spirit; and more.

NonQualified Deferred Compensation ("NQDC") Plans

NQDC Plans are popular to recruit, retain, reward and retire top-level and highly skilled employees. These plans are only available to "select management or highly compensated employees" who may not be able to save enough for retirement in a traditional qualified retirement plan such as a 401(k) plan, because of various legal limitations placed upon the retirement plan. NQDC Plans provide key employees with additional retirement benefits not available to rank-and-file employees, provided conditions of the plan are met.



Also, these plans are not limited by certain rules and regulations applicable to traditional qualified retirement plans, such as contribution or benefits limits. Depending upon the variation, the plan could be solely employer-funded, creating a "golden handcuff" to retain the employee provided specified conditions for earning the benefits are met. Alternatively, the plan can be solely employee-funded through salary deferrals, allowing for cash flow, retirement and income tax planning. NQDC Plans can also be a combination of both, making them powerful tools for employee retention.

Split Dollar Plans

Split Dollar Plans are strategies that allow the employer to assist with the financial protection of an employee's family through the provision of life insurance death benefits funded by a cash value life insurance policy paid for by the employer. Depending upon the variation, Split Dollar Plans may also allow the employee to build supplemental savings through the cash value accumulation in the life insurance policy which may be used for retirement, funding college education or for major purchases.

Conclusion

The problems created by the Great Resignation or Great Reshuffling are real. Fortunately, as a business owner, you have tools at your disposal to combat these phenomena, to make your top employees feel valued and well compensated through the provision of unique and customizable benefits. We've briefly summarized at a high level, just a few of these strategies. These strategies have tax and legal consequences.

For More Information Contact:

Contact your Security Mutual Life insurance advisor today to get the process started. Your Security Mutual Life insurance advisor will coordinate with your tax and legal advisors to review your situation and determine a plan that is appropriate for you and your business's goals and objectives.



¹ <https://www.bls.gov/opub/mlr/2022/article/job-openings-and-quits-reach-record-highs-in-2021.htm>

² <https://www.forbes.com/sites/johnbremen/2022/08/11/what-the-july-us-jobs-report-says-about-the-greatresignation/?sh=6fbcc3c22047>

³ <https://www.pewresearch.org/fact-tank/2022/03/09/majority-of-workers-who-quit-a-job-in-2021-cite-low-pay-no-opportunities-for-advancement-feeling-disrespected/>

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