What are Selective Discretionary Key Employee Benefits?

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While conventional compensation strategies include benefits like 401Ks and forms of group insurance, they can be heavily regulated and the employer is constrained from discriminating in favor of certain employees over others.

Regulations that restrict an employer from varying benefit value between individual employees ignores the idea that certain employees are simply more productive and therefore more valuable than others.

A study shows that 5% of all employees create 26% of all results, or in other words the top 5% of your employees are five times more productive. Selective or discriminating benefits are benefits that are designed to be aimed at that 5% of the employees in a company.

While you can raise salary and cash compensation of the productive employees and you should, it does little to create and maintain long term incentives and help the productive employee to be confident in their future financial wellbeing and security.

A study done by Longwood University's Ernest O'Boyle and Indiana University's Herman Aguinis that analyzed human performance across various fields, from academia to professional sports show that 5% of all employees actually create 26% of all results, or in other words the top 5% of your employees are five times more productive.

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They may provide additional long term accumulations for retirement. They can provide long term value to help pay for college education for example or anything else the key employee might value.

Selective discriminatory benefits can provide the employer a wide range of design choices, benefit options, controls and options for return of all contributions.

They can add significant protection for salary replacement both while the employee is working and long after they reach what the employer and employee agree is retirement.

Depending on the degree of control the employer wants, they may or may not be initially tax deductible or taxable. These tax questions or options create opportunities for the employer to enjoy many different Strategies and controls.

These may include restrictions on accessing the funds, claw back of funds, vesting options, return of funding or cost recovery at the employee's death or even key person replacement/loss payments.

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For the employee, they can go very far to acknowledge them for being valuable team players who have a clear career path. Additionally, they help the employee's spouse and family feel secure and confident that under any circumstance they are protected if the employee dies or continues with their career until retirement.

Few of these objectives are fulfilled with salary alone. These tools can be a win-win for both the progressive employer and the career oriented employee.

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