

# Your Key People Their Success Is Your Success

**dm Dwight Moldenhauer**



**Dwight  
Moldenhauer  
Inc.**

As a business owner who pays a generous salary to all your employees, why would you even think of doing something additional for your key people? The list of reasons is growing and is likely to continue to grow.

A recent Wall Street Journal article titled, "Retiring Baby Boomers find 401(k) Plans Fall Short" which identified research studies that were both interesting and shocking at the same time.

Little do we realize the significant role that Social Security will play in the lives of most Americans. In general terms, for a wage earner who earns up to \$100,000 per year, Social Security will replace almost 30% of their income at retirement.

Combine that with a 401k, most income earners under the \$100,000 per year threshold have ample opportunity to prepare for and be secure during retirement. That's the good news.

It is the middle, to upper middle, income earners who have increasing exposure. In other words it is your key people, perhaps the two or three people who have become increasingly valuable to you and your company's success that will be experiencing the retirement preparation squeeze.

For every dollar over Social Security income limits your key person earns they are missing out on both the employers and employees Social Security contribution; combined value currently at \$13,243.

It could be argued that they are beginning to experience a "reverse discrimination" due to their income and career achievements and if they truly are a key employee, you wouldn't want to penalize them.

Why don't they simply save more? It is the American lifestyle, to be frank and to their defense. Many times a person becomes key to a company just as they mature and reach middle age perhaps have two kids in college and by the time this period is over have very little time to make up lost earning potential.

Because they are key and increasingly valuable to a business and company growth, you can make it a *win win* for the business and for the key employee.

- Acknowledge their contributions and achievements
- Measure their growth and effectiveness and set goals
- Understand their need for supplemental retirement accumulations and protection
- Create "selective" benefits that rewards them for past and current efforts and do so in such a way that they can't or are unlikely to just increase their current lifestyle spending

**"Empower key people give them an opportunity to continuously improve and create more results for the company. Reward their ability to make important decisions."**

To implement such a change or addition to your compensation may take a little time. But to do so can go a long way in reenergizing your key people's enthusiasm for the company and their contributions toward the company's success.

Clearly these kinds of approaches are not for everyone but as a key employee matures, they become increasingly important and help meet the need of the company and its' shareholders. These concepts help create a sense of ownership without giving up equity or control.

You are also looking forward with the expectation that your business will continue to

grow and be profitable and these "key people" will increasingly have an important role to fulfill.

As their incomes climb and the time they have left prior to retirement shrinks, their needs will increase and you the employer will have "saved the day" by assisting them and their families.

Our business owner clients see these concepts helping them achieve their own goals, each one unique, but equally important. Prominent among their goals are the following.

1. Succession planning and passing control on to a younger generation
2. Achieving more time freedom as they age but while still young enough to travel and enjoy the rewards of business ownership

Business owners increasingly recognize that their business is by far their best investment and keeping it viable as they age can be the best alternative to an owner simply hanging it up and retiring.

## **Empower...Acknowledge...Reward**

Empower the key people and give them an opportunity to continuously improve and create more results for the company. Reward their ability to make important decisions and encourage them to succeed.

All human beings need to feel like their efforts are being acknowledged, your key employees especially will respond to acknowledging their contributions and results. An effective tool to acknowledge them is a form of a long term Selective Incentive Plan. When a key employee succeeds, reward them with a bonus contribution into their Selective Incentive Plan.

Let's face it the returns that most people have seen in their 401(k) for the past decade have been on average disappointing. Of all your employees, you want your key employees to feel confident, to feel like their future will be completely secure and when they provide exceptional results an enhanced bonus deposit will give them future benefit.

**Dwight Moldenhauer, CLU, ChFC, is a chief strategist with Dwight Moldenhauer Inc., Buffalo, N.Y.**

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