

# IT'S YOUR LIFE

## An Employee Retention Strategy

The U.S. continues to experience a labor shortage across many industries and roles. Since April 2021, the number of people quitting their jobs each month has hit record levels — over 38 million people voluntarily left their jobs in 2021<sup>1</sup>. Employees may quit for a variety of reasons, including a lack of recognition, or unsatisfactory salary or pay. Recognition can come in many forms: job titles, years of service awards, or public announcements of a job well done. You can also raise an employee's salary over time — but those ideas have a short shelf-life. An employee won't stay long-term if they feel they can get more somewhere else.

Federated recognizes employee retention as a business risk that may be managed. To reward good performance while encouraging long-term employment, Federated has a plan to help you recognize your best employees: the Triple Protection Plan<sup>SM</sup>.

This plan can help address your employee retention concerns, and help protect against the financial impact of an employee death. It can also provide a benefit for an employee's family. There are three components:

1. **A Private Bonus Plan.** This helps retain employees — it's a program you design that would pay selected employees set bonuses in specific years. The plan can be informally funded with a cash value life insurance policy, and can help protect against the employee's voluntary departure by providing a strong incentive to stay. The business applies for, owns, and pays the premiums on a life insurance policy on the key employee to informally fund the private bonus plan. The business can then withdraw policy cash values as needed, and in accordance with policy terms to pay the scheduled bonuses.
2. **Key Person Coverage.** This can help protect against financial losses associated with a key employee's death. The proceeds from the same life insurance policy can be used to recruit, hire, and train a replacement. It can also be used for business continuation or overhead expenses.
3. **Family Protection.** This allows the business the opportunity to share life insurance protection with the employee's family. With the right documentation, the death benefit on the policy used for the bonuses is split between the business and a personal beneficiary. The company remains in control of the policy while offering some financial resources for the key employee's family with a portion of the death benefit.

Employee retention of a key person is a concern for business owners. To help the employee feel they are a valued part of the business, the Triple Protection Plan offers employers an opportunity to prove their appreciation with a unique bonus plan and financial resources for their family.

Consider using a Triple Protection Plan to help enhance your efforts to incentivize talented employees to stay. It's one plan to help address three problems.

1. Bureau of Labor Statistics

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