

CrossCountry Mortgage, LLC Deferred Compensation Plan

# An exclusive benefit for you

Save more, manage taxes, retire on your schedule

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# Congratulations are in order

As the recipient of this booklet, your employer counts you as one of your organization's most valuable contributors. And for that, you've been selected for an exclusive opportunity to participate in a supplemental retirement plan. If you're interested in saving more, managing your tax bill or retiring early, this plan could be for you.

Officially called a nonqualified deferred compensation plan, it's a way to save that lets you delay part of your current compensation — before taxes are taken out — in exchange for some significant perks.

We know plans like this one can get a little complicated and do come with some risks. We're here to help you understand how they work and what you need to consider before participating. If you're interested, we also have some tips to help you make the most of the benefits.

## **An I.O.U. you give yourself**

This plan allows you to take what is in essence an I.O.U. on some annual income. Your employer then pays your future self at a date you choose, according to plan rules.

By participating in the plan, you'll be able to:

- **Save more for retirement or other major goals before you retire.**
- **Gain flexibility in how you receive benefits from the plan.**
- **Tailor your investment strategy to meet your unique needs.**
- **Control how and when you pay taxes on what you've saved.**
- **And you may get additional employer contributions.**

Many factors go into deciding whether or not to participate, but once you are familiar with nonqualified benefits and ready to sign up, it's easy as:



Defer a portion of your compensation based on your financial goals. This reduces your taxable income.



While not directly investing, your account is credited with any gains or losses based on reference investments you choose.



Receive the compensation you previously deferred, plus any potential earnings credited to your account.

# How this fits your financial plan

We've put together a short quiz to help you decide whether the deferred comp plan is right for you and your family. The more "yes" answers, the better this plan fits based on your current financial situation:

Question	Answer
1. Are you close to maxing out, or have you maxed out contributions to a qualified retirement plan, such as a 401(k)?	Yes/No
2. Are you interested in lowering your current tax rate?	Yes/No
3. Are you concerned about your ability to meet your retirement savings goals?	Yes/No
4. Can you afford to defer a portion of your annual compensation?	Yes/No
5. Are you confident in your employer's chances for continued success?	Yes/No

## Think 401(k) first

Before participating in the deferred comp plan, make sure you're making the most of your organization's 401(k) plan. Unlike this plan, savings in the 401(k) is yours and protected by the government (more on that later).

Once you've contributed all you can to the 401(k) plan, participating in a deferred comp plan may make sense as a way to continue to supplement your retirement income.

### 0-2 yes:

This type of plan might not be a great fit for you, but you can learn more about the opportunity starting on page 5.

### 3-4 yes:

After talking with your financial professional and/or tax advisor, you may find this plan is a good fit. Consider skipping to page 6 for more details.

### 5 yes:

We don't see anything keeping you from participating. When you get enrollment materials, visit [principal.com](http://principal.com) to get started.

# Benefits of deferred compensation

This deferred compensation plan allows you to:

- **Take advantage of pre-tax savings** — Setting aside some income before taxes are taken out and growing that savings on a tax deferred basis puts more of your money to work for you.
- **Save more for retirement** — Since this plan has different rules than a 401(k) or IRA, you'll be able to save more for retirement while spreading out when you'll owe taxes and potentially seeing a much greater return.
- **Enjoy flexibility** — You choose when to take money from the plan based on your personal savings goals (within whatever rules your employer has set up). And with no age-based rules around the timing of distributions, you can retire on your schedule.
- **Receive employer contributions** — Your employer can make contributions to the plan on your behalf.

## What does "nonqualified" mean?

Now, we know "nonqualified" is an uncommon term and one that may not mean much to you unless you work in financial services. You're probably more familiar with what the government calls "qualified" plans, like a 401(k) or 403(b).

Qualified plans come with some built-in government protections but also with restrictions on how much you can save each year, when you have to take your money out and when you can.

The rules are much different for a nonqualified plan. They don't have the same kinds of protection as qualified plans, but they also come with fewer government-imposed restrictions.

For a measure of protection, your company deposits all deferred compensation into a trust account that was established solely to hold assets and pay benefits.

While your employer retains control of any deferred money until it is distributed, the trust protects you from a change of control in company ownership. It also protects you from a later change of heart by your employer — after you've deferred income but before it's paid out. The only situation where your company's promise could be broken is if they became insolvent or went bankrupt.

Even then, it doesn't necessarily mean you won't get paid. It just means you'll be treated like anyone else the company owes money. The bankruptcy process would determine how remaining organization assets are divided.

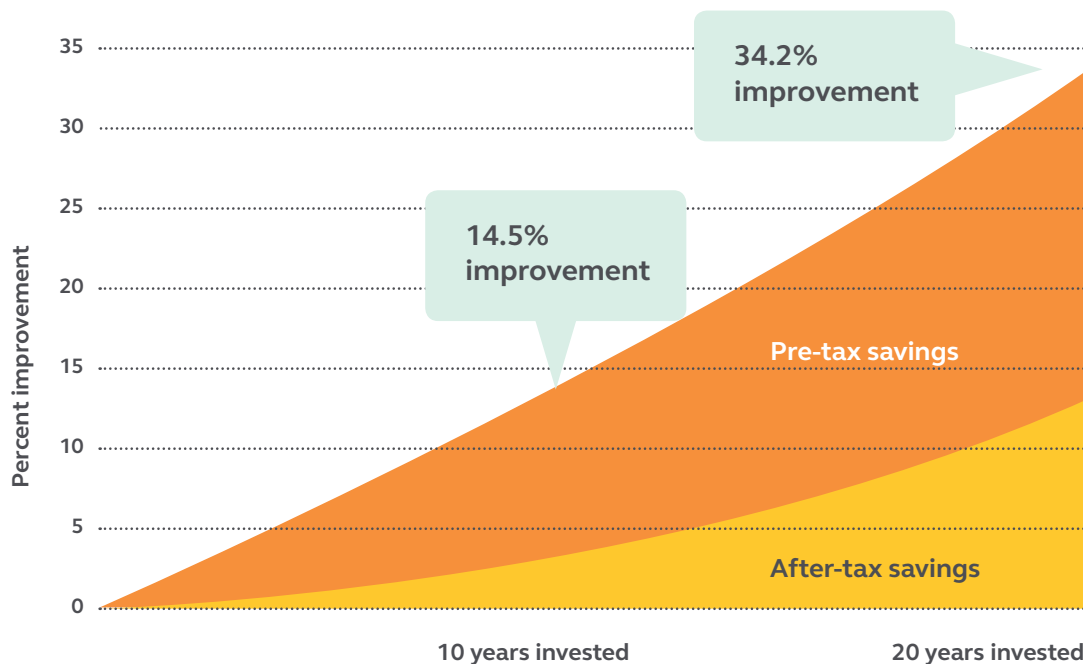


# Pre-tax savings pumps up your growth potential

A deferred comp plan increases your savings power. Because you're deferring pre-tax dollars, and the earnings on those dollars compound on a tax-deferred basis, more of your money is working for you.

With a taxable investment, such as stocks or bonds, you've already paid taxes on the money you're investing. In a nonqualified plan, 100 percent of every dollar and any credited earnings grow tax-deferred.

The example below shows that over time, assuming the same earnings rate, you would have a larger account value from a pre-tax investment. This advantage increases dramatically the longer you let your balance grow. Also, by strategically timing when you pay taxes, you may find that you're able to lower your tax bracket in your retirement years.

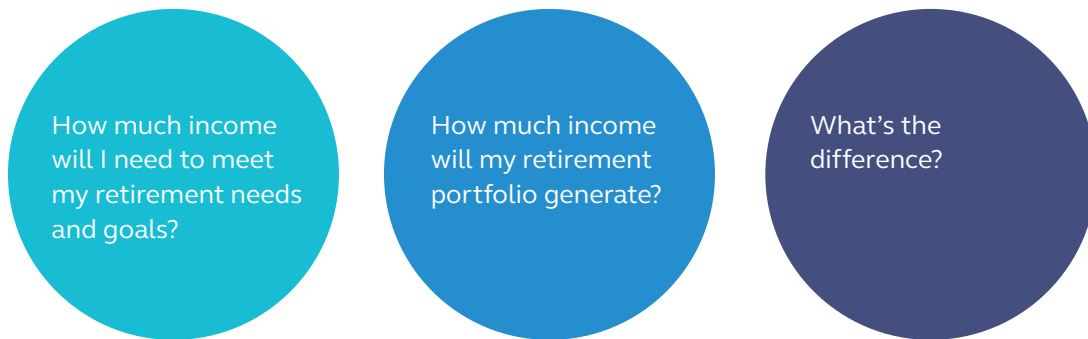


The illustration is a hypothetical example showing the principle of compounding. This example assumes an initial investment of \$10,000 with ongoing annual contributions of \$10,000 growing at an annual 7% rate of return compounded annually over a 20 year period. The example does not include the impact of any fees and expenses that would be associated with an actual investment. It does include a lump sum distribution of the pre-tax amount with a 40% tax rate. This hypothetical illustration is not intended to represent any specific type of investment. Keep in mind there is no assurance the investment will grow at a steady rate of return and consumers need to consider their personal investment horizon and income tax bracket, both current and anticipated when making investment decisions as these may further impact the results of the comparison.

# Save more for retirement

Retirement may seem a long way off, but with people living longer, making sure you have sufficient retirement income has never been more critical. For employees like you, it may be challenging to meet retirement goals by solely relying on Social Security and 401(k) plans.

## It's important to ask yourself:



Let's assume you've maxed out what your employer-sponsored 401(k) and additional qualified investments allow you to save and you still have a significant monthly shortfall. Contributing to a nonqualified plan can help you close the gap. And because there are no government-imposed limits<sup>1</sup>, you could even save enough to retire early or have extra spending money in retirement. You've worked a lifetime to earn the retirement of your dreams. What if it's suddenly within reach and could be even better than you imagined?

<sup>1</sup> Individual plans vary. Refer to your plan summary for details on possible employer contribution limitations.

# Enjoy flexibility

Unlike a 401(k) plan, you won't incur penalties for taking money out before age 59½. You also won't be forced to start taking retirement income at age 70½.

## Each year you put money into the plan, you have options to receive that year's deferral:

- In retirement or when you're no longer working for your employer
  - › This plan allows you to elect more than one retirement option. For example, you could establish one retirement account payable in a lump sum and another payable in installments.
- While you're working

## Questions to consider when scheduling when the money comes out:

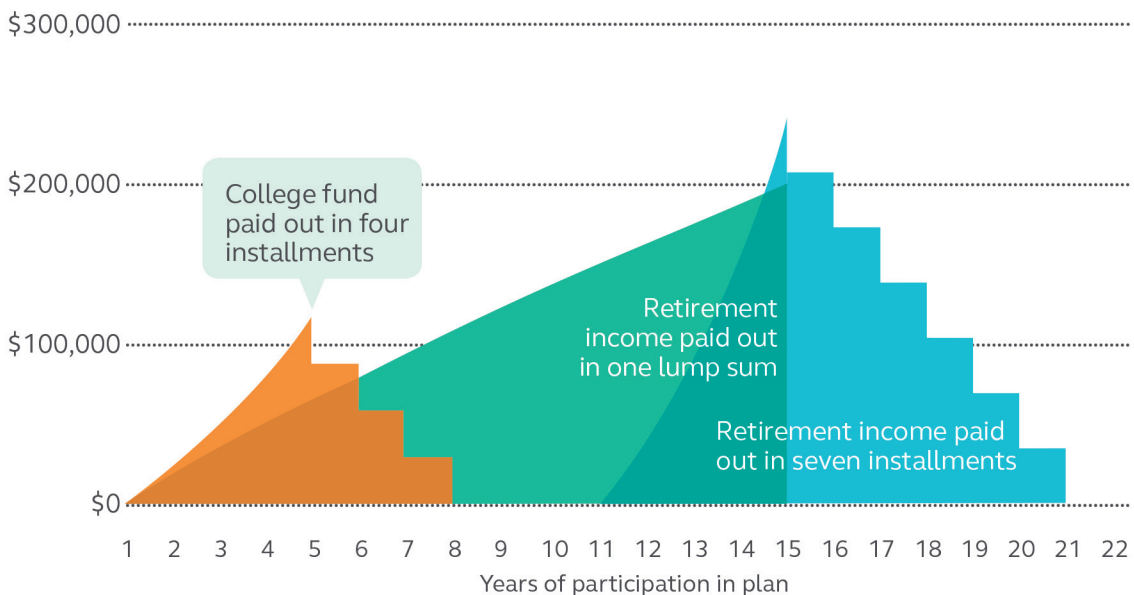
- What goals or milestones do I want to save for?
- When will I need the money to ensure I can fund those goals?
- Do I want a lump sum payout or installment payments?

Deferring income pre-tax may allow you to reach short-term goals faster, while at the same time reducing your current tax liability.

# Pay your future self, on your schedule

The example below shows more than two decades in the life of a deferred comp plan participant who:

- Saves for two goals — a child's education and retirement.
- Chooses to receive distributions for the education goal in installments and for retirement in one lump sum.
- After participating in the plan for 10 years, determines with her advisor that she would like to receive retirement funds in several installments. She stops contributing to the lump-sum retirement account and starts contributing to a new retirement account which will distribute in several annual installments.



For illustrative purposes only. For plan rules, log on to [principal.com](http://principal.com). All distributions are subject to federal, state and local income tax. Assumes: 7% annual earnings rate, \$200k salary, 5% deferral for second home, 5% deferral for retirement, 10% deferral for college fund.



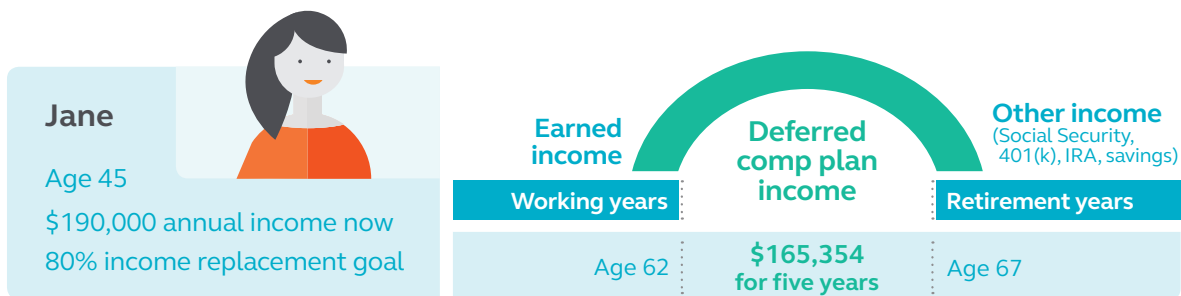
# Using the plan as an income bridge

Here's an interesting fact. Between the ages of 62 and 70, your Social Security benefits can grow about 7 or 8% each year you delay taking them.<sup>1</sup>

That's why one common strategy is to use a deferred comp plan as a bridge in retirement income. It can fill the gap between income earned while you're working and other retirement income that's still growing, or just isn't available yet.

## See the plan's potential

See how a deferred comp plan can create \$725,441 to bridge the gap between earned income and other retirement income.



Jane wants to let her Social Security and 401(k) grow until 67, so she can get more out of that benefit. But she wants to retire earlier. She decides she can afford to defer 12% of her income now. Quick online calculations show that's enough to provide \$725,411, or \$165,354 annual income for five years. Now, she can retire at age 62 with enough to fund the traveling plans she's dreamed of.

### > Think like Jane!

See how you can bridge sources of income and compare investment strategies. [Principal.com/nqplanner](https://Principal.com/nqplanner)

### Comparing an after-tax investment

Jane considered stocks or bonds using the same annual investment. The result was \$82,486, **less than half** the annual income for five years.

<sup>1</sup> Sources: ssa.gov

For illustrative purposes only. Assumes 80% income replacement, 7% expected annual earning rate on investments, 40% pre-retirement marginal ordinary income tax rate (federal and state), 20% individual capital gains/qualifying dividends tax rate and 80% of taxable savings account growth that is taxed at capital gains rate each year.

This calculator is made available as a self help resource for your planning convenience. The results from the calculator are based on your inputs and are not intended to be a financial plan or investment advice from the Principal Financial Group® but may be used as general guidelines to help you make retirement planning or other personal financial decisions. Responsibility for these decisions is assumed by you, not the Principal Financial Group.

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## Some things to consider

- Unlike a 401(k) plan, rollovers and loans are not allowed with this deferred compensation plan. Also, your deferrals are not protected in the event your employer goes bankrupt or goes out of business.
- Distributions are treated as ordinary income, subject to current federal and state income tax.
- If your needs change and you need to reschedule a distribution, you must let your employer know a minimum of 12 months before a scheduled payout. You must also delay the payout at least five years from the originally scheduled distribution date.
- Your employer allows you to choose from several “reference” investment options. You can allocate contributions and monitor credited performance as if you were actually invested. Reference investments you select may or may not actually be selected by your employer. But this plan establishes a contractual obligation between you and your employer to honor any potential growth or loss in the reference investments when it comes time for payout.

## Managing your account

**Provide investment direction** — This deferred compensation plan offers you a variety of reference investment options in which to direct your deferrals. Each reference investment option offers a different level of risk and potential return. This lets you make choices that complement your overall financial strategy. For details on each reference investment option’s objectives, risk and return characteristics, and historical performance, log on to [principal.com](http://principal.com).

**If deferred income is needed unexpectedly** — Under certain circumstances, your deferred income may be paid out sooner than you planned. These situations include death, disability or a change of control in the company’s ownership. In those cases, you or your beneficiaries will receive what you’re owed in a lump sum.

**Designate beneficiaries** — When you enroll, you must designate one or more beneficiaries. You can make beneficiary updates any time at [principal.com](http://principal.com).

**Stay connected** — This plan is offered through your company by Principal®, the No. 1 provider of nonqualified deferred compensation plans and a retirement industry leader.<sup>1</sup>

**You’ll have easy access** — Go to [principal.com](http://principal.com) to enroll, view plan statements and manage your plan. Or, download the Principal app<sup>2</sup> to monitor your account anytime.

**How do employees like you view deferred compensation?**

**A recent study<sup>3</sup> found that 85% of participants consider the plan an important factor in reaching their retirement goals.**

<sup>1</sup> Based on total number of Section 409A plans, PLANSPONSOR 2018 NQDC Recordkeeping Survey, June 2018..

<sup>2</sup> The Principal® app is available in the iOS and Google Play stores. Visit [principal.com/onthego](http://principal.com/onthego) for additional details and download instructions.

<sup>3</sup> 2018 Nonqualified Deferred Compensation Plan Participant Survey, conducted by the Principal Financial Group.

# Take action

Whether you're ready to defer some of your income or you need a little more time to decide, we encourage you to take action as soon as possible.



## Meet with your financial professional

You may want to set up some time to talk with your financial professional and/or tax advisor to discuss how this plan can help you meet your financial objectives. Schedule an appointment soon so you can act quickly when the enrollment period opens.



## Enroll in the plan

If you feel this plan is right for you and you want to participate next year, watch for communications soon about the start of the annual enrollment period. Keep in mind, your enrollment decisions are locked in. Once the enrollment period closes, you won't be able to go back and make changes until next year's enrollment window.



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