The Retention Advantage: How Tailored Benefits Keep Executives Invested

Executive turnover is accelerating — and fast. Last year saw a 14% jump over 2023, and January set an all-time record for departures. For companies, losing a top executive isn't just a financial hit; it disrupts strategy, slows operations, and can shake investor and employee confidence. In today's competitive market, keeping leadership in place isn't just important — it's essential.

While some executive turnover is inevitable, the recent surge in turnover across the U.S. makes it more critical than ever for businesses to focus on the factors they can control to maximize retention.

One of the most impactful and controllable factors in executive retention is how a company structures its benefits. Standard plans have their place, but they rarely meet the expectations of top-tier talent. Nonqualified plans offer the flexibility and financial value that executives recognize as a sign of trust and long-term commitment.

In a competitive market, these plans aren't just smart; they're strategic. They help companies keep the leaders who drive growth, stability, and culture.

Qualified vs. Nonqualified Plans: What's the Difference and Why It Matters

Qualified retirement plans, even when carefully designed, come with built-in constraints. Contribution caps, nondiscrimination rules, and IRS deferral limits all restrict how much highly compensated employees can realistically save through traditional vehicles like 401(k)s or 403(b)s. Consider this: in 1986, the maximum 401(k) deferral limit was $30,000. Nearly four decades later, it has barely budged, reaching just $31,000 for those over 50 in 2025. For senior leaders, this stagnation creates a meaningful gap between what they can save and what they'll need in retirement.

This is where nonqualified plans enter the conversation. These plans, referred to as "nonqualified" because they don't meet ERISA's requirements for qualified retirement plans, offer flexibility and customization that qualified plans simply can't match. This allows organizations to align executive benefits with broader goals around retention, tax efficiency, and long-term financial planning. For companies competing for top talent, understanding and leveraging nonqualified plans may be the difference between losing a key leader and keeping them invested for the long haul.

How Nonqualified Plans Drive Retention

According to Vanbridge's Director of Executive Benefits, Nate Siegel, the key advantage that nonqualified plans have over other benefits is the **sense they give executives of being understood and valued.**

"When executives see benefits designed just for them, it sends a clear message that the company is invested in keeping them long term," Siegel said.

Another reason these plans support retention is that they tie an executive's financial future to the company's success. When long-term compensation is linked to tenure or performance, it creates a strong incentive to stay.

Because nonqualified plans are customizable — from deferred comp to split-dollar life insurance and everything in between (check out a more comprehensive list here)— they can reflect an executive's unique role and value. That kind of personalization, rare in traditional benefits, is what makes these plans so effective. They don't just compensate; they communicate value.

Consider the following example of an NQDC:

The COO of a mid-sized logistics firm elects to defer a portion of her annual bonus into a non-qualified deferred compensation (NQDC) plan. These deferrals are 100% vested, meaning she has full ownership of the deferred funds, which grow tax-deferred until retirement.

To strengthen retention, the company adds a corporate match to her deferrals but with a twist: the match is subject to a 10-year vesting schedule. If she leaves before the 10-year mark, she forfeits the matched funds.

This structure creates a powerful incentive to stay. As the matched amount grows year after year, so does the value of remaining with the company. Ultimately, she chooses to stay, knowing that continued leadership unlocks the full value of her plan, both her own deferrals and the company's contribution.

Important Considerations for Leaders

The value of nonqualified benefits in retaining executives is clear, but structure matters. Leaders should consider the following:

- **Compliance**: Plans must follow IRS rules, especially Section 409A.
- **Funding:** Life insurance is common, but not the only option.
- **Clarity:** Executives need to understand how the plan works and why it matters.

A plan might look great on paper, but unless it's thoughtfully designed, tailored to the executive, and clearly communicated, it's unlikely to deliver its full impact.

Retention as a Competitive Advantage

The pressure of executive turnover isn't going away. If anything, it's becoming a permanent feature of today's business landscape. That reality shifts retention planning from being a "nice to have" to a board-level strategic priority.

Nonqualified benefit plans are particularly effective here, not only because they help keep leaders in place, but also because they signal to the market, the board, and employees that the company is serious about long-term stability.

When designed well, these plans go beyond individual retention; they reinforce a culture of commitment and continuity that investors and stakeholders increasingly expect.