The Mature Executive - Square Peg Meet Round Hole

We hear at times: the era of 40 years and gold watch are gone, a person will have 7 jobs before they settle into the place that they stay for 10 years or more and people are working further into retirement age. A lot of this is true, and that brings up an interesting point.

If I look over the census data of many of my clients, I see a many C-level executives working well into their 60s. Often these executives are top income earners as well. When I've reviewed the employment contracts of these employees relative to the benefits put in place, I often see a conflict caused by the group contracts that have benefit reduction schedules that limit benefits past the age of 60. Below is a brief case study based on what I've encountered in the last couple years.

> Thomas, Richard and Harold are the Senior Principals of an architectural design firm in Bethesda that employs about 120 people. They earn about $300K per year in salary plus their LLC income which nets about another $100,000 per year. Each of them is turning 61 this year, and the current plan is to work till they are 70. There is a next generation of management in place and are beginning a 10 year buy-out plan.
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> Tom is celebrating his 35th wedding anniversary this year and his children have graduated from college and are in the business, part of the next generation of ownership. Richard's wife passed away about 5 years ago and his daughter lives in California. Richard has started living bi-costal this year as well because he began a relationship with the mother of one his daughter’s friends in California and he plans to retire in California. Harold was married for around 15 years and divorced in his 40s, his twin daughters from that marriage are in their late 20s. He then remarried about 7 years ago, and now has twin two year old sons.
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> The architectural design firm has a full suite of benefits including health, dental, vision, 401(k) and life and disability insurance. The life and disability insurance have a traditional ADEA Schedule. This means that benefits begin to be reduced for employees over the age of 60, and the benefits then move into a massive decline or are essentially non-existent at 65. This system was established partially on the belief that Social Security would likely fill in the gaps for those over 60.
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> The issue regarding the ADEA Schedule especially affects Harold. He is the primary income earner in his household. If he were to have a major incident of some kind he and his wife would be put into circumstances that they have not planned for at this time in their lives. At an annual benefit review, Harold was educated on how his plan actually worked, was shocked and became concerned. Thomas and Richard also pulled the HR Director and CFO of the firm to side to express their worry about the benefits would affect them.

I'm leaving the story in this case here because there is not one simple solution to the issue. The point is that up until that benefit review, nobody really stopped to consider that there was a problem. The fact is that very often the modern executive does not fit into a benefit program built for the rest of their company.

In cases like this time needs to be taken to do an analysis and ask questions like:

- Is there a way to move the high earning population to separate class?
- Can supplemental plans be purchased for these executives, and if so from where and what is required?
- Can the ADEA schedule be modified?
- What can be written into the LLC agreement to try to supplement these executives as a failsafe?