

Stock Options, Phantom Stock and Other Deferred Compensation Plans

A non-qualified deferred compensation plan can be used effectively in conjunction with a qualified retirement plan to provide additional benefits or incentives to a select group of management or highly compensated employees. Because these programs are not subject to rigorous tax qualification requirements, it is often possible to design a program with great creativity to address the employer's needs in a particularly effective way.

One of the more popular approaches to offer incentives to management employees is to provide the opportunity to acquire stock of the employer so they can share in future increases in the value of the company. Another alternative, which is often very attractive in a closely held business, is to provide a phantom stock interest, in which the employee receives the economic benefits of stock ownership, but does not acquire voting or other minority shareholder rights that accompany actual stock ownership.

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