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# THE **101** ON **FORTUNE 500** COMPENSATION PLANS

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Photography by Kortnee Kate

Many of our clients work at Fortune 500 companies. Cincinnati is the home of eight Fortune 500 companies, which is exceptional for a city of our size. Compensation plans at these firms can be lucrative, but also confusing. In this article, we will outline the key areas to understand for those fortunate enough to be working at one of these companies or currently entertaining an offer. Compensation at most Fortune 500 companies has four components. A Long-Term Incentive Plan (LTIP) may only be available at certain levels of the company, but nevertheless, it is important to understand and account for all levels of compensation.

- **BASE SALARY:** This is the most obvious portion of compensation, but for the higher income earners, this is typically less than half of their total compensation.
- **BONUS:** Most bonus targets range from 20% to 100% of base salary depending on the level in the company. Typically, the higher the level, the higher the range of variable compensation.
- **LONG-TERM INCENTIVE PLAN (LTIP):** At public companies, LTIP comes in the form of stock options, Restricted Stock Units (RSUs) or Performance Share Units (PSUs). At private companies, it may come as phantom stock or a deferred bonus. Either way, this is typically the largest component of compensation for executives who have reached the highest levels in a Fortune 500 company. This may range from 30% to 150% of salary, but with considerable upside if company stock is growing.
- **BENEFITS:** This can often be overlooked, but 401(k) matching, profit sharing, pensions, health insurance, supplemental benefits, PTO, and other benefits can often add up and should be considered when sizing up the value of a package.

We hope this brief article is helpful and empowers you to take control of your financial life and to live well in 2021. If you want more tips on living well, please contact us at [livewell-capital@nm.com](mailto:livewell-capital@nm.com) or follow us on Facebook. ❖

