



Retaining Key Employees

Stay Bonus

Business owners often express how hard it is for them to attract and retain talented employees who are key to business operations. I just spoke with a client this morning who told me “we recently lost a very key employee”. The magic question is how do businesses find ways to incentivize their key employees to stick around for at least a certain amount of time? How can we reduce key employee turnover and the costs associated with it? The answer may be what’s called a Stay Bonus.

Let’s take a look at a case study. A medical group I recently worked with was having trouble retaining doctors. We figured out that it cost the group on average 1.5 times salary to find, hire, and train a new doctor. The group “broke even” on this doctor in year 3, and reached maximum profitability on a newly hired doctor after year 5. So it behooved the medical group to make sure that the newly hired doctors stuck around for a minimum of 5 years. We structured a 5 year Stay Bonus to incentivize the doctors to stay for at least 5 years, ensuring maximum profitability for the medical group.

Here’s how it worked. The medical group funded the Stay Bonus with \$20,000 for 5 years. During that 5 year period, the medical group maintains ownership of the account. If the doctor were to leave within that 5 years, the medical group would keep the money and the doctor would get nothing. If the doctor stayed for 5 years, the doctor would take control of the account and could then do as they wished with it. Simple, yet effective.

Some financial analysis would need to be done in order to structure the Stay Bonus correctly, and in a way that would be most beneficial for both the employer and key employee. Make sure to consult your tax, financial, and legal experts.



Atlas Financial Strategies

Andrew Martin

Founder and President

Phone: 850.542.4823

AtlasFinancialStrategies.com

Office:

125 W. Romana St. Suite 720
Pensacola, FL 32502



Financial Adviser offering investment advisory services through Eagle Strategies LLC, a Registered Investment Adviser. Registered Representative offering securities through NYLIFE Securities LLC, Member FINRA/SIPC, a licensed insurance agency.