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# An Executive's Perspective on New 409A Deferred-Compensation Rules under the American Jobs Creation Act

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Executives should be aware that the American Jobs Creation Act, which became law in late 2004, has significantly changed the rules for non-qualified deferred compensation plans, including individual contracts, bonus arrangements, stock options and stock appreciation rights, and severance pay plans. Changes limit the initial elections, funding, and distributions from such arrangements.

Executives are cautioned to review every arrangement that may be covered by the new rules, consider any grandfather rules that may be available, and make appropriate decisions to change (or in some cases, to terminate) their arrangements before the end of 2005.

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