

# The True Cost of Losing an Executive



Finding and retaining your best executive team is critical to your business's success. While many companies understand the obvious costs associated with losing a key executive, few understand the true total cost of executive turnover.

**The true total cost of losing an executive can be up to 300% of salary<sup>1</sup>**



## **Obvious Costs (Fixed)**

- Recruiting, Interviewing and Hiring Process
- Administrative Costs

## **Hidden Costs (Variable)**

- Lost Productivity
- Orientation and Onboarding
- Long-term Training
- Potential Customer Dissatisfaction
- Increased Errors
- Reduced or Lost Business
- Lost Expertise
- Employee Morale
- Company Culture
- Employee Disengagement

Generally speaking, the true total cost of losing an executive can be a whopping 200 to 300 percent of their salary; however, the cost allocated to retain them is 100 percent less.<sup>1</sup>

The true total cost of losing an executive is the sum of the obvious and hidden costs, with the latter often more damaging and always more challenging to manage if the lost team member is highly respected by peers and staff. Given the current business climate, now is the time for you to implement strategies to attract and retain top talent.

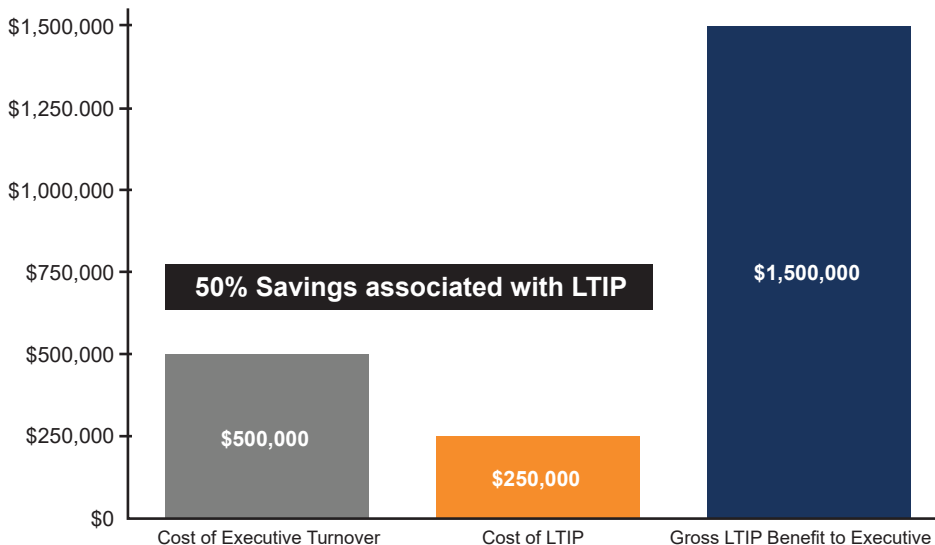
<sup>1</sup>Source: <https://storage.googleapis.com/gcservices-com/images/uploads/pages/costofanopening.pdf>; The Cost of Bad Hiring Decisions Runs High - Dice Insights; <https://www.advisorpedia.com/growth/to-get-employee-retention-right-follow-these-simple-rules/>

## The Solution for Executive Turnover

As illustrated, the true cost of losing an executive goes beyond the obvious expenses. Implementing a long-term incentive plan (LTIP) can help your company reduce turnover by providing a valuable benefit to your leadership team and key employees.

The chart below shows how an LTIP can save your company roughly 50% by retaining just one key member of your team, as well as the potential benefit to the employee in the long run!

## Long-Term Incentive Plan LTIP vs. Cost of Executive Turnover



ASSUMPTIONS	
Executive Age	45
Executive Salary	\$250,000
Cost of Executive Turnover (% of Salary)	200%
Annual Contribution (% of Salary) <sup>1</sup>	20%
Annual Contribution	\$50,000
#of Contributions	5
Vesting years per Contribution	4 Years
Vesting Type	Class Year
Earnings Rate	7%
Retirement Age	65
# of Distributions <sup>2</sup>	20

<sup>1</sup> Typical costs associated with replacing executive include executive search fee, on boarding costs, training costs, costs of vacancy and costs associated with lost business relationships.

<sup>2</sup> Annual LTIP benefit of \$75K for 20 years (\$1.5M cumulative)

## More Information

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