

# HICKS NOTES

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## 2015 YEAR END BRINGS TRAPS AND OPPORTUNITIES

As the calendar year ends, many plan sponsors are unaware of the administrative traps waiting for any omission or misstep. Everybody should be aware of the following issues and follow up with your clients to make sure they are not missed.

### REQUIRED MINIMUM DISTRIBUTIONS (RMD)

RMDs are required for any participant turning 70½ during this year and each year following. (The plan may have an exception for non-5% owner, so check your document.) Participants have until April 1st of the calendar year following for the first year, and then the deadline is December 31st of each year thereafter. Failure to take an RMD from all tax deferred benefits can result in a 50% penalty tax. This is an area that is often missed, so contact any client over age 70 and make sure they are calculated and processed from all tax deferred accounts.

### PLANS TURNING TOP HEAVY

If your client has a regular non-safe harbor plan and it is turning top heavy this year, it may have a required contribution or owners may not make 401(k) contributions next year. This is especially true for smaller employers running regular tested 401(k) plans. It often comes as a surprise and can create additional employee costs for the plan sponsor. Plans become Top Heavy when 60% or more of the assets belong to key employees (owners/officers) as of the last day of the plan year. These plans should consider amending to a Safe Harbor design or review the other options available to them.

### ADMINISTRATIVE ISSUES

The IRS and DOL are hitting administrative issues particularly hard during audits. Make sure your plans have made **TIMELY DEPOSITS** of 401(k) employee contributions and loan repayments. If they haven't, there is an inexpensive DOL program

to correct this. Make sure all **LOANS and DISTRIBUTIONS** (Hardship, In-service or when leaving the Employer) have the appropriate signed paperwork and forms. **1099-Rs** are due by January 31st for any distributions that have occurred in 2015.

401(k) plans that are subject to ADP/ACP non-discrimination testing should run a year-to-date test to inform the Highly Compensated Employees where they stand for 2015. This will give them time to adjust any last minute contributions to pass this test.

We should be looking at any plans that want to change for next year. Maybe a safe harbor for 2016 or changing employer contributions in Defined Benefit or 401(k) plan. An **AMENDMENT** done by December 31st can be effective for 2016.

### PPA RESTATEMENTS

All Defined Contribution Plans must be rewritten by April 30, 2016. This a perfect opportunity to redesign an existing plan. Many administrators are overcharging for this service and those one person plans being administered by their CPAs may miss this deadline. To learn more, [click here](#).

Finally, there are **MARKETING** and **NEW PLAN** opportunities. Every SIMPLE plan should look at a 401(k) for 2016. Now is the time to perform **INVESTMENT REVIEWS** and **EMPLOYEE EDUCATION** for new participants entering in 2016. Defined Benefit plans can be added to increase 2015 contributions until the end of this year.

In conclusion, the best defense is a good offense. Stay proactive and you will be ready for anything. It's been a great 2015 and looking forward to a equally good 2016. As always, we are here to help. Call or [email us](#) today