

HICKS NOTES

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By Tom Hicks, Attorney At Law

NEW DEADLINES FOR THE NEW YEAR

The New Year brings new limits and deadlines. We have updated a few links to help keep your plans in compliance. While the 401(k) deferral and catch up limits have remained the same at \$17,500 and \$5,500 respectively, the total amount a person can receive in a Defined Contribution plan has been raised from \$51,000 to \$52,000 for 2014. The compensation limit used for calculating contributions has been raised to \$260,000 up from \$255,000. See the entire table [here](#).

In addition, we have updated our compliance calendar for 2014. This is a helpful link that should be saved and reviewed throughout the year. Every month has something new to think about for planning and compliance purposes. This month forms 1099 and 945 are due by January 31st. To view the entire calendar, [click here](#).

Finally, if you have client thinking about setting up a 401(k) plan for this year, the earlier the better. Now is the time to set up a safe harbor match 401(k) for 2014 to give participants time to defer.

RESTATEMENTS BEGIN THIS YEAR

We expect the IRS to approve documents in April of this year. Once this happens, every Defined Contribution plan will be required to be restated over the next two years, 2014-2016. This is a tremendous opportunity to redesign existing plans or take over plans that are being over charged for this work. We will be sending letters to our clients early next month and will be charging a \$950 flat fee (\$450 owner-only). We feel this gives us plenty of time to review and amend our client's plans as needed.

What are others administrators charging? What amount is reasonable? Last time this happened, we saw some administrators charging as much as \$3,500 for this work. We feel this is an abuse and you should too. Remember that everybody has a fiduciary duty to make sure their clients are not over charged for administration or other fees. In addition, we continue to offset any amounts received by investment companies against these fees. [Click here](#) for our policy on offsets.

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If you would like to unsubscribe to this newsletter, click [here](#).

Named Trustees, as well as Financial Professionals working with retirement plans, have a duty to review ALL fees and make sure they are reasonable. Now is a great time to do this review and always document your process.

For additional information on restatements, [click here](#).

Need help or think you or your clients are being overcharged? Contact us [here](#).

BEWARE OF THE SAFE HARBOR MATCH TRAP

A safe harbor match 401(k) plan is a great design for companies who have lower 401(k) participation because it can save them money on required employer contributions while passing the Top Heavy and ADP tests. There is one caveat everybody needs to know about. If an employer decides to make an additional discretionary profit sharing contribution, the top heavy rule kicks back in.

This rule bit me awhile back where we had a top heavy plan with a safe harbor match arrangement and the employer wanted to give everybody an additional two percent of pay. Because the plan was top heavy, they would have had to give at least a minimum of three percent to the non-key employees because the keys were over three percent in their 401(k) deferrals. The trap is thinking the test was satisfied by the match, when that isn't the case if an additional employer contribution goes in. I believe this creates a disincentive for employers to contribute additional amounts unless they can meet this three percent threshold. While we are the experts in this area, those financial planners also working in this area should at least be aware of this little known rule. Need help or clarification? [Click here](#)

EARN CE CREDITS FOR CFPS AND CPAS

Kevin Evans has scheduled and will be presenting a series of webinars to help CFPs, accountants and others in the financial community understand how retirement plans work. You can contact Kevin at (530) 321-0425 or kevans@nhhicks.com. For the invitation [click here](#) and get free CE credit.

Call or email us with any questions or pension administration needs.