HICKS NOTES

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YEAR END PLANNING STARTS NOW

Now is the time to contact your retirement plan clients and prepare for the end of this year and beginning of next year. The potential areas you will want to discuss are plan administration, design, fiduciary duties, and employee enrollment for next year.

ADMINISTRATION: Now is the perfect time to clear out **terminated participants**. By keeping them in the plan, you are adding additional administration costs and potentially unhappy ex-employees. There are solutions for lost participants that include automatic rollovers or escheat to state unclaimed property funds. In some cases, an amount under $200 can be forfeited as de minimis. Check out Automatic IRA Rollovers in our FAQs.

You will want to make sure your client's plan has a **fiduciary bond** for the proper amount. It should be at least 10% of the total assets. In addition, nonconforming assets also need to be bonded. This is a red flag for the DOL and can trigger an audit. For additional bonding information, click here.

Another area is making sure the **401(k) deposits** have been made timely. Generally, deposits withheld from employee's paychecks must be made at the time the taxes are due. If there were late deposits, now is a great time to make them and use the DOL website to calculate the lost interest and correct the oversight. Check with your clients if this has been happening and fix it now.

PLAN DESIGN: Businesses are constantly changing. They have good years and bad years and are constantly adding or losing employees. A call to your client to get a general sense of how the business did this year will help determine if a **change in the existing plan design** is needed or if they are **ready to add an additional plan**. Plan testing is always an issue for non-safe harbor plans, as changes in employee makeup affects the testing. Now is a good time to bring up the issue and discuss its ramifications.

If a company has grown, maybe changing to a match safe harbor instead of the 3% non-elective safe harbor makes sense. If a company had a great year, look at **adding a defined benefit (DB) or cash balance plan.** If business is not going as well, change the formula or **freeze the DB** before additional contributions may be required.

FIDUCIARY DUTIES: Current governmental regulations require fiduciaries do more than "set it and forget it". They have a duty to **Monitor, Benchmark and Document** their investments and administration providers. As plan assets grow, they should be paying a smaller percentage in fees. In addition, they need to make sure they are getting their full offsets from amounts taken out of the plan and given to third party administrators (TPA). In some cases, fees are increased and offsets don't kick in until the TPA takes a few thousand dollars. Now is perfect time to review and make a change if your clients are getting the service for the fees they are paying.

EMPLOYEE EDUCATION: With the beginning of the new year, new and existing employees should be given **safe harbor notices and investment disclosure documents**. An **enrollment meeting** prior to December will assure that the new plan year starts on point. By servicing your clients, not only do you protect them, you protect yourself and the employees and help the client meet its objectives.

FINALLY, now is the perfect time to get caught up on what's happening in the retirement plan market. By attending our **webinars**, it will make you more competitive and competent in this field. Join us here and get free CE credits for CPAs and CFP®s.

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We do not charge for **proposal**. So if you have a client in need of a new plan, or revisions to an existing plan no longer meeting their business goals, contact us. Click here for our proposal request form.