

# HICKS NOTES

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## RETIREMENT PLAN DEADLINES REVEAL RED FLAG ISSUES

The **October 16th final deadline for 2016 5500s** is a perfect time to review your clients' plans. There are many reasons for clients who are always up against the clock, but generally it is a telltale sign that some consulting and change is needed. This month's newsletter looks at the issues and solution involved with last minute filers. As always, those who take a proactive approach can keep their client problems from reoccurring year to year.

**CLIENT ISSUES:** In many cases, the client is responsible for being up against the deadline.

For those clients with **cash flow** issues, they are funding last year's deduction with this year's cash. (An employer has until they file their tax returns, plus extensions, to fund.) Once behind the curve, they never really get caught up. A meeting to explain how to amend the plan or putting amounts away during the year can help alleviate this problem. Perhaps suspending the Safe Harbor contributions for a year will give a client time to catch up or get ahead of the cash flow curve. If it's a defined benefit plan, an amendment to lower future contributions may be needed.

**Employer turnover at the bookkeeper or payroll department** is another reason for extending the 5500 deadline. When new people are hired, there is a learning curve on what their responsibilities are. They may not understand the interface between the company, the investment advisor and Third Party Administrator (TPA), and may have simply failed to give the required information needed to complete the filing. A meeting to explain the plan and its moving parts is all that is needed to get the new personnel up to speed.

**Compliance and testing issues** are another reason plans are at the filing deadline. It may be an ignored failed ADP test or late deposits that need to be addressed by an employer. When preparing the 5500 form, issues need to be addressed and corrected. Often the TPA has just sent letters. A meeting to discuss the specific issues needs to be held and a strategy for fixing and reporting these errors needs to be developed. A proactive approach to plan administration can keep these errors from happening year after year.

**TPA ISSUES:** Often, it is the TPA who is responsible for the deadline issues. This is mainly due to a lack of

affirmative action on the TPA's part because of issues within their organization.

**Turnover or overworked administrators** is a big problem for many TPA firms because of poor management and overselling their services. While it is great to have consultants who can sell and bring in new clients, it is difficult to find the talent to administer their plans. As such, many TPAs overwork their administrators by giving them too many clients. People leave and the clients are passed from one administrator to another throughout the years. Every client has quirks and minor issues that need to be learned and remembered. If your clients are constantly being moved, they deserve better service than what they are getting. Now is the perfect time to move administration firms and find the right fit for these clients.

**Lack of communication** is another reason plans are filing late. Too often, a TPA will only send letters or follow up emails to the clients when the information may be available from other sources. A good TPA will contact the Financial Planner, CPA or payroll company to track down the information they need to complete a 5500. By understanding our role as part of a bigger team, we are able to assist the client by contacting the other professionals for them.

**Arrogance** is another fault of some TPA firms. Some think only within the box when trying to solve plan problems. They threaten clients with nasty letters regarding penalties and fines for minor errors when only a simple correction is needed. These issues can range from loans in default, late contributions, not covering eligible employees or failure to process payouts. As such, clients are paralyzed with fear and are not given choices on how to correct problems that may have occurred in the past years. A proactive business approach with these clients can help clean up past mistakes and put in systems to keep them from happening again.

**BOTTOM LINE:** When clients are approaching a deadline, they need a meeting. A proactive approach is the best way to keep the administration process running smoothly. Need Help? [Contact us](#) and give your clients the resources they need to run their plan accurately, efficiently and timely.