

HICKS NOTES

NH HICKS Experience Counts

Legal and Pension Consultants
(800) 310-4975 | www.nhhicks.com

March 2018

By Tom Hicks, Attorney At Law

SPRING BRINGS GROWTH AND OPPORTUNITIES

As the economy continues to improve, we are seeing growth in both the business and financial markets. Now is a great time to contact your existing clients to see if you can help them with planning and services to respond to this growth. In addition, you can use this period of growth as an opportunity to gain new clients by taking over their existing plans.

Defined benefit (DB) clients will need immediate attention as big gains in 2017 may severely and adversely affect funding in 2018. Actuaries typically use a 5 percent interest assumption. If a plan gains more than that, funding may be greatly reduced. In addition, a plan with an owner nearing retirement may become over funded or have no contribution allowed for 2018. A proactive approach for these clients is needed to plan for tax consequences in future years.

A reduced DB contribution can be supplemented by adding a 401(k) plan. This gets an owner up to \$24,500 in personal contributions plus an additional 6% of pay discretionary employer contribution in the 401(k) plan. An extra \$30,000-\$41,000 will surely help the owner save more for retirement while reducing his taxes.

Big stock market gains may also require a rebalancing of 401(k) and other portfolios. A meeting to explain these concepts and the issues regarding volatility can go a long way in alleviating stress caused by market fluctuations.

With the uptick in the business cycle, many small employers will see growth in income and may consider hiring new employees. This provides a great opportunity to add or amend existing qualified plans to give greater flexibility and funding for small business owners.

Look at your small professional clients who have contributed the maximum in their safe harbor 401(k) plans. Doctors, dentists, architects and attorneys are all potential businesses that can use a defined benefit and 401(k) combination arrangement. See if the owner has contributed the maximum \$60,000.00 for 2017. If so, let us run a proposal and see what

can be done for 2018. They probably are already contributing 5% of pay for their employees. If they are willing to give a few percentages more (2-4%), their contributions may go

from \$61,000 to upwards \$200,000 or more. For more [information](#) or a [proposal](#), click the links in this sentence.

Small businesses who currently sponsor a **SEP (Simplified Employee Plan)** may now have eligible employees. If this is the case, a 401(k) is a must. The properly designed 401(k) will get the owner thousands of dollars more, while substantially decreasing the employees' costs. The key is to get to these clients early in the year before they start funding their SEP for 2018.

For your **"Owner Only" clients**, a plan review is in order. For real estate agents, financial professionals, computer consultants and others, the economy may have substantially increased their income over the last few years. Add a 401(k) and get the owner an additional 18,500 to \$24,500 into a plan. Check out the 2018 contribution limits [here](#). If they want more than the \$61,000 limit available in a 401(k) plan, look at a [defined benefit plan](#) or do both. A call now to your one-person business owners makes great sense given the robust business environment.

Finally, always be on the lookout for take over opportunities. Clients, who are using payroll or other bundled providers, are unhappy with their administrative service, fees or investment education and returns. They are ripe for a plan redesign and service upgrades. Here is a great one page of [areas of review](#) to use in client meetings to help flush out any issues. Use this in all client meetings and see new business coming your way.

BOTTOM LINE: Now is a great time to capture retirement plan clients. The economy's growth and volatility is a perfect reason to review and upgrade your client's administrative experience and tax planning strategies for 2018. [Contact us](#) today as we are here to help.