

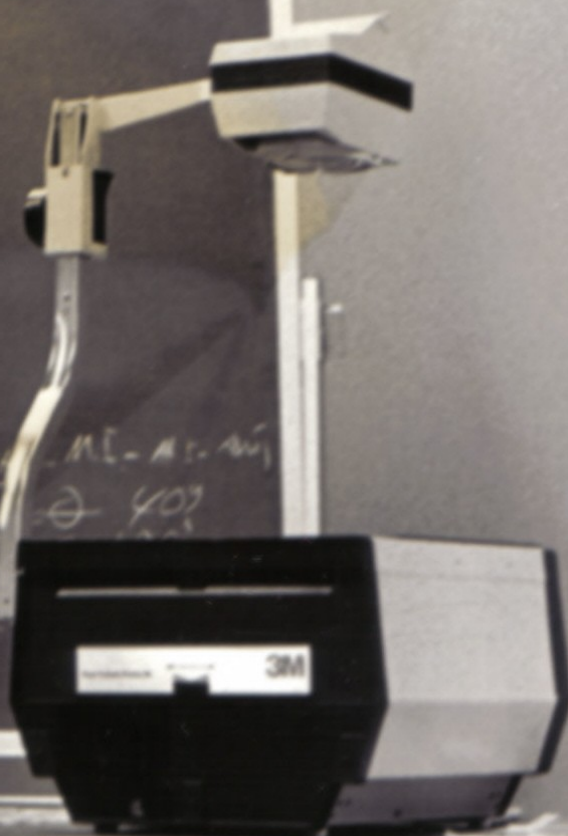
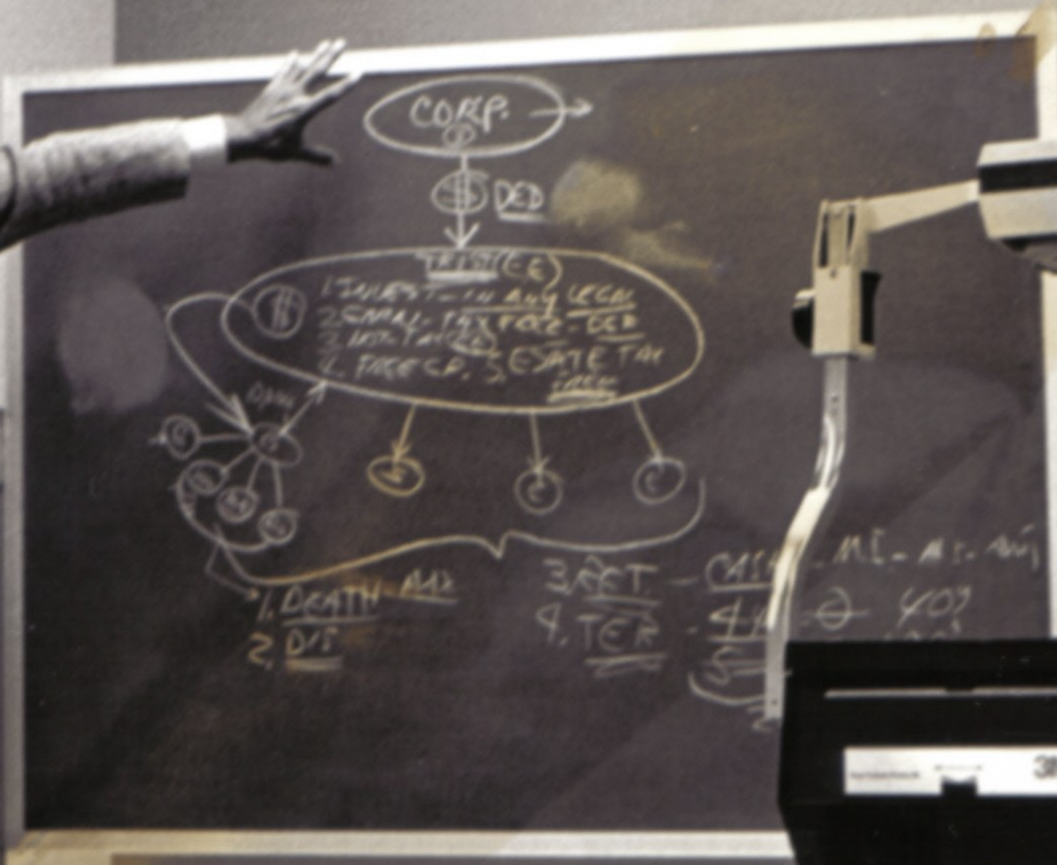
NH HICKS

Legal and Pension Consultants

Selling Retirement Plans

September 5, 2019

Experience Counts



Sales Webinar Outline & Overview

- Ask the Question
- General Market Overview
- Data Mining
- Fiduciary Marketing
- Plan Design Issues
- Compliance Issues & Corrections
- CalSavers Retirement Savings Program
- Multiple Employer Plans (MEPs)
- How to Work with US

Retirement Areas of Review

- Plan Administration
 - Fees and offsets
 - Service and calls answered
 - Accuracy and ease of administration/IRS issues
 - Payroll companies and bundled services
 - Restatement Process
- Plan Design
 - Failed tests
 - High cost for employees
 - Need a bigger or smaller deduction
 - Add DB or redesign the 401(k)
- Plan Investments
 - Returns
 - Investment selection
 - Internal fees
 - Enrollment meetings and participation
 - Disclosure benchmarking and documentation

3(16) vs. 3(21) vs. 3(38) Fiduciary

3(16)	3(21)	3(38)
Named and acts as Plan Administrator	States in writing co-fiduciary status	States in writing co-fiduciary status
Oversees management & administration	Assists in drafting IPS	Drafts IPS
Selection, evaluation & monitoring all providers	Helps design initial fund menu	Builds initial fund menu
Evaluation of all plan fees	Provides monitoring	Monitors menu
Delegate administration responsibilities	Recommends changes	Makes changes
Oversee operation of Plan	Recommends mapping strategies	Determines mapping strategies
Provide reporting & disclosure materials	Provides documentation	Provides documentation

Fiduciary Checklist

- Plan Sponsor's fiduciary responsibility
- Mandatory Disclosures to Participants and Beneficiaries
- Annual Plan Reviews
- Special 401(k) Notices
- Notices must be delivered timely to ensure compliance
- Key dates available on our 2019 Compliance Calendar.

401(k) Outline 2019

401(k)

100% up to \$19,000
(age 50 - \$6,000 catch-up)

MATCH

Limit combined with
Profit Sharing

PROFIT SHARING

0-25% eligible
Compensation

ELIGIBILITY ENTRY VESTING

DISCRIMINATION TESTING

- ADP Test
- Top-heavy

SAFE HARBOR

- 100% Vested
- 3% Non-elective or Match
- New Plans must exist for at least 90 days
- Terminated participants receive contribution

TRUST

- Deposits not taxed to employee
- Tax deferred growth
- Protected from Creditors

ALLOCATION

- Proportional
- SS Integrated
- New Comparability

INDIVIDUAL LIMIT

100% up to \$56,000
(\$62,000 if age 50)

COMPENSATION LIMIT

\$280,000

Table of Limits

	2018	2019
<u>COMPENSATION LIMIT</u> plan year beginning	275,000	280,000
<u>DC ANNUAL ADDITION LIMIT</u> plan year ending	55,000	56,000
<u>401(k) DEFERRAL LIMIT</u> calendar year	18,500	19,000
<u>CATCH-UP DEFERRAL LIMIT</u> calendar year	6,000	6,000
<u>DB ANNUAL BENEFIT LIMIT</u>	220,000	225,000
<u>HIGHLY COMPENSATED EMPLOYEE</u> Compensation definition only required to be met in prior plan year		
1) Over 5% owner		
2) Any employee (may limit to top 20%):	120,000	125,000
3) Spouse or linear relation		
<u>KEY EMPLOYEE</u> Employee is key if meets definition in current plan year		
1) Over 5% owner		
2) Over 1% owner:	150,000	150,000
3) Officer (count at least 1):	175,000	180,000
4) Spouse or linear relation		
<u>TAXABLE WAGE BASE</u>	128,400	132,900

Allocation Comparisons

Assumptions		25% Salary Proportional	Age Weighted	New Comp.
Age	Salary			
*55	\$50,000	\$12,500	\$31,098	\$28,750
50	50,000	12,500	20,681	6,000
*45	50,000	12,500	13,754	28,750
40	50,000	12,500	9,147	6,000
35	50,000	12,500	6,083	6,000
30	50,000	12,500	4,046	6,000
25	50,000	12,500	2,691	6,000
	\$350,000	\$87,500	\$87,500	\$87,500

Required to pass Average Benefits Test

SEP vs. UNI(k)

Comp.	25% SEP	25% PS + 401(k)
\$224,000	\$56,000	\$56,000
Total	\$56,000	\$56,000

\$224,000 Break Even SEP V. 401(k) with \$56,000 Contribution

SEP vs. UNI(k)

Comp.	25% SEP	25% PS + 401(k)
\$100,000	\$25,000	\$25,000 +25,000
Total	\$25,000	\$50,000

SEP vs. UNI(k)

Comp.	25% SEP	25% PS + 401(k)
\$100,000	\$25,000	\$25,000 +25,000
\$30,000 Spouse	\$7,500	\$7,500 +25,000
Total	\$32,500	\$82,500

SEP vs. UNI(k) vs. DB

Comp.	25% SEP	25% PS + 401(k)	DB
\$100,000	\$25,000	\$25,000 +25,000	\$212,000
\$30,000 Spouse	\$7,500	\$7,500 +25,000	\$42,000
Total	\$32,500	\$82,500	\$254,000

Defined Benefit Plan

General Assumptions

Age 48	NRA 62	Life Exp. 85
Comp. \$225,000	Fund \$2,852,000	Pay \$225,000
Requires \$153,328 contribution		

- Interest rates
- Retirement age
- Investment selection
- Funding range
- Funding flexibility
- Overfunding
- Unable to fund
- DB Chart

Defined Benefit Plan

	Age	Comp	DB
Orville	63	\$280,000	\$212,000
Wilbur	25	50,000	4,000
Richthofen	28	50,000	6,000
Amelia	40	50,000	14,000
Doolittle	45	50,000	22,000

DB Combination Plan

**40 – 60 – 5
RULE**

DB Floor Offset

	Age	Comp	DB	DB	7.5% PS	401(k)
Orville	63	280,000	\$212,000	\$210,000	\$21,000	\$25,000
Wilbur	25	50,000	4,000	-0-	3,750	---
Richthofen	28	50,000	6,000	-0-	3,750	---
Amelia	40	50,000	14,000	-0-	3,750	---
Doolittle	45	50,000	22,000	-0-	3,750	---

\$44,000 more for owner, while \$31,000 less for employees =
\$75,000 DIFFERENCE

Requires:

- Minimum employee contribution of 5–6%
- Good for PBGC covered plans

Defined Benefit Contributions

Ages/Comp	30,000	50,000	70,000	90,000	110,000	130,000	150,000	170,000	190,000
32	47,673	72,268	81,302	81,302	81,302	81,302	81,302	81,302	81,302
34	52,030	79,767	89,739	89,739	89,739	89,739	89,739	89,739	89,739
36	56,785	88,064	99,073	99,073	99,073	99,073	99,073	99,073	99,073
38	61,975	97,244	109,401	109,401	109,401	109,401	109,401	109,401	109,401
40	67,640	107,406	120,830	120,830	120,830	120,830	120,830	120,830	120,830
42	74,398	118,658	133,490	133,490	133,490	133,490	133,490	133,490	133,490
44	82,367	131,141	147,532	147,532	147,532	147,532	147,532	147,532	147,532
46	90,891	144,988	163,111	163,111	163,111	163,111	163,111	163,111	163,111
48	100,007	160,358	180,404	180,404	180,404	180,404	180,404	180,404	180,404
50	109,755	177,424	199,603	199,603	199,603	199,603	199,603	199,603	199,603
52	120,176	196,375	220,922	220,922	220,922	220,922	220,922	220,922	220,922
54	131,316	217,472	244,655	244,655	244,655	244,655	244,655	244,655	244,655
56	144,550	240,919	271,034	271,034	271,034	271,034	271,034	271,034	271,034
58	149,009	248,349	279,392	279,392	279,392	279,392	279,392	279,392	279,392
60	142,579	237,631	267,334	267,334	267,334	267,334	267,334	267,334	267,334
62	135,932	226,555	295,099	295,099	295,099	295,099	295,099	295,099	295,099
64	128,973	214,956	300,937	325,757	325,757	325,757	325,757	325,757	325,757

- Contributions based on NRA 62 and 5 Years of Participation.
- Comp is W-2 wages, or self-employment income less self-employment tax deduction and pension deduction for the self employed and his/her share of any employee cost.
- Contribution amounts may be less when using a DB/DC Combo design.

Plan Comparisons

	25% SEP
Owner 57 \$100,000	\$25,000
Spouse 57 \$30,000	\$7,500
Jack 30 \$50,000	\$12,500
Jill 25 \$50,000	\$12,500
ER Cont	\$32,500
EE Cont	\$25,000
ER %	57%

Plan Comparisons

	25% SEP	3% Match SIMPLE
Owner 57 \$100,000	\$25,000	\$3,000 +16,000
Spouse 57 \$30,000	\$7,500	\$900 +16,000
Jack 30 \$50,000	\$12,500	\$1,500 +13,000
Jill 25 \$50,000	\$12,500	\$1,500 +13,000
ER Cont	\$32,500	\$35,900
EE Cont	\$25,000	\$3,000
ER %	57%	92%

Plan Comparisons

	25% SEP	3% Match SIMPLE	401(k) PS
Owner ⁵⁷ \$100,000	\$25,000	\$19,000	\$37,000 +25,000
Spouse ⁵⁷ \$30,000	\$7,500	\$16,500	\$11,000 +25,000
Jack ³⁰ \$50,000	\$12,500	\$1,500 +13,000	\$2,500 +19,000
Jill ²⁵ \$50,000	\$12,500	\$1,500 +13,000	\$2,500 +19,000
ER Cont	\$32,500	\$35,900	\$98,000
EE Cont	\$25,000	\$3,000	\$5,000
ER %	57%	92%	95%

Plan Comparisons

	25% SEP	3% Match SIMPLE	401(k) PS	DB
Owner ⁵⁷ \$100,000	\$25,000	\$19,000	\$62,000	\$256,634
Spouse ⁵⁷ \$30,000	\$7,500	\$16,500	\$36,000	\$80,514
Jack ³⁰ \$50,000	\$12,500	\$1,500 +13,000	\$2,500 +19,000	\$27,566
Jill ²⁵ \$50,000	\$12,500	\$1,500 +13,000	\$2,500 +19,000	\$18,913
ER Cont	\$32,500	\$35,900	\$98,000	\$337,114
EE Cont	\$25,000	\$3,000	\$5,000	\$46,479
ER %	57%	92%	95%	88%

Plan Comparisons

	25% SEP	3% Match SIMPLE	401(k) PS	DB	DB Combo
Owner ⁵⁷ \$100,000	\$25,000	\$19,000	\$62,000	\$256,634	\$260,277 +25,000
Spouse ⁵⁷ \$30,000	\$7,500	\$16,900	\$36,000	\$80,514	\$81,823 +25,000
Jack ³⁰ \$50,000	\$12,500	\$1,500 +13,000	\$2,500 +19,000	\$27,566	\$5,550 +19,000
Jill ²⁵ \$50,000	\$12,500	\$1,500 +13,000	\$2,500 +19,000	\$18,913	\$5,550 +19,000
ER Cont	\$32,500	\$35,900	\$98,000	\$337,114	\$392,100
EE Cont	\$25,000	\$3,000	\$5,000	\$46,479	\$11,100
ER %	57%	92%	95%	88%	97%

Compliance Issues & Corrections

- **DOL Delinquent Filer Program (DFVC)**
- **IRS Voluntary Correction Program (VCP)**
- **IRS Self Correction Program (SCP)**
- **IRS 5500-EZ Late Filer Relief Program**
- **DOL Voluntary Fiduciary Correction Program (VFCP)**
- **Determination of Controlled / Affiliated Services Groups**
- **Legal Opinions and Plan Audit Services**

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Need More Information

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