

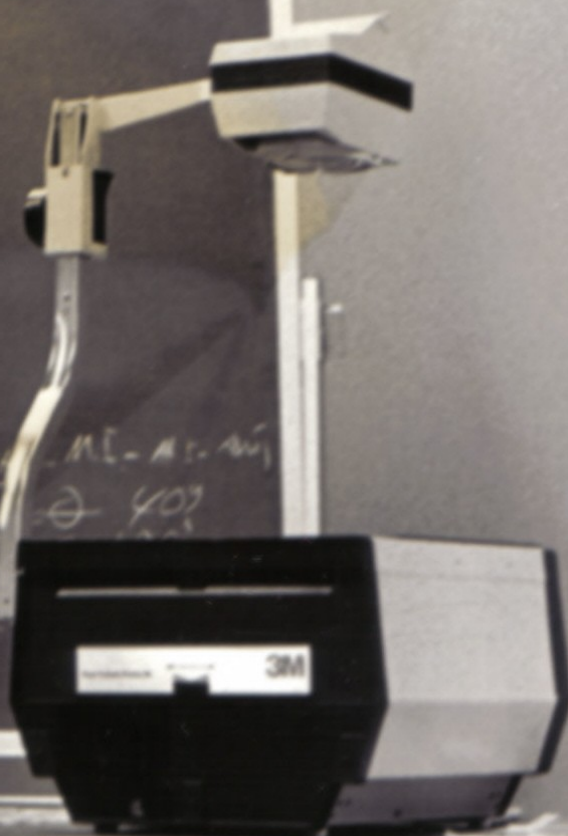
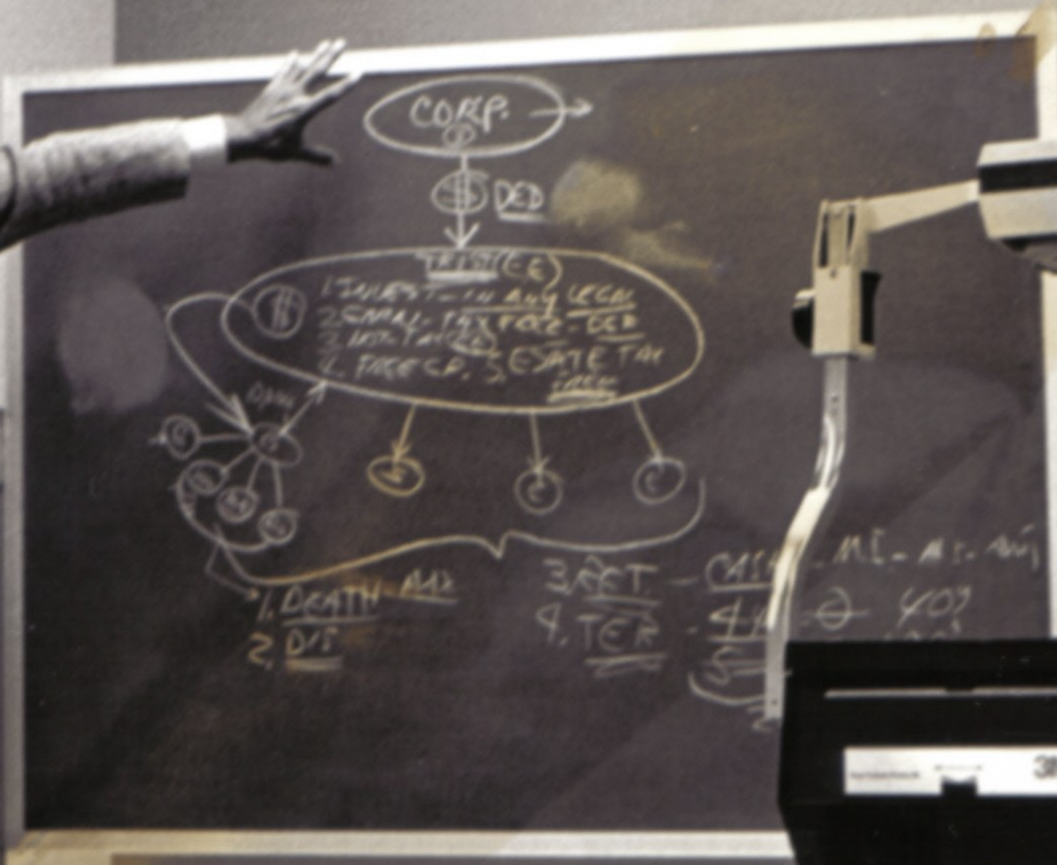
NH HICKS

Legal and Pension Consultants

Selling Retirement Plans

August 10, 2020

Experience Counts



Sales Webinar Outline & Overview

- Ask the Question
- General Market Overview
- Data Mining
- Fiduciary Marketing
- Plan Design Issues
- New Plan Set Up Deadlines
- Compliance Issues & Corrections
- How to Work with NH Hicks

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 2020 Compliance Calendar.

401(k) Outline 2020

401(k)

100% up to \$19,500
(age 50 - \$6,500 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 \$57,000
(\$63,500 if age 50)

COMPENSATION LIMIT

\$285,000

Table of Limits

	2019	2020
<u>COMPENSATION LIMIT</u> plan year beginning	280,000	285,000
<u>DC ANNUAL ADDITION LIMIT</u> plan year ending	56,000	57,000
<u>401(k) DEFERRAL LIMIT</u> calendar year	19,000	19,500
<u>CATCH-UP DEFERRAL LIMIT</u> calendar year	6,000	6,500
<u>DB ANNUAL BENEFIT LIMIT</u>	225,000	230,000
<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%):	125,000	130,000
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):	180,000	185,000
4) Spouse or linear relation		
<u>TAXABLE WAGE BASE</u>	132,900	137,700

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)
\$228,000	\$57,000	\$57,000
Total	\$57,000	\$57,000

\$228,000 Break Even SEP V. 401(k) with \$57,000 Contribution

SEP vs. UNI(k)

Comp.	25% SEP	25% PS + 401(k)
\$100,000	\$25,000	\$25,000 +26,000
Total	\$25,000	\$51,000

SEP vs. UNI(k)

Comp.	25% SEP	25% PS + 401(k)
\$100,000	\$25,000	\$25,000 +26,000
\$30,000 Spouse	\$7,500	\$7,500 +26,000
Total	\$32,500	\$84,500

SEP vs. UNI(k) vs. DB

Comp.	25% SEP	25% PS + 401(k)	DB
\$100,000	\$25,000	\$25,000 +26,000	\$212,000
\$30,000 Spouse	\$7,500	\$7,500 +26,000	\$42,000
Total	\$32,500	\$84,500	\$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	\$285,000	\$218,000
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	285,000	\$218,000	\$212,000	\$21,375	\$26,000
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	---

\$41,375 more for owner, while \$31,000 less for employees =
\$72,375 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	49,836	72,892	83,827	83,827	83,827	83,827	83,827	83,827	83,827
34	54,266	80,413	92,476	92,476	92,476	92,476	92,476	92,476	92,476
36	59,090	88,727	102,038	102,038	102,038	102,038	102,038	102,038	102,038
38	64,343	97,919	112,608	112,608	112,608	112,608	112,608	112,608	112,608
40	70,062	108,084	124,296	124,296	124,296	124,296	124,296	124,296	124,296
42	76,711	119,328	137,229	137,229	137,229	137,229	137,229	137,229	137,229
44	84,384	131,789	151,556	151,556	151,556	151,556	151,556	151,556	151,556
46	92,615	145,597	167,435	167,435	167,435	167,435	167,435	167,435	167,435
48	101,442	160,906	185,042	185,042	185,042	185,042	185,042	185,042	185,042
50	110,909	177,885	204,568	204,568	204,568	204,568	204,568	204,568	204,568
52	121,059	196,720	226,228	226,228	226,228	226,228	226,228	226,228	226,228
54	131,943	217,668	250,318	250,318	250,318	250,318	250,318	250,318	250,318
56	144,557	240,931	277,070	277,070	277,070	277,070	277,070	277,070	277,070
58	148,892	248,153	285,377	285,377	285,377	285,377	285,377	285,377	285,377
60	142,353	237,254	272,843	272,843	272,843	272,843	272,843	272,843	272,843
62	135,611	226,020	300,383	300,383	300,383	300,383	300,383	300,383	300,383
64	128,570	214,285	299,997	331,843	331,843	331,843	331,843	331,843	331,843

- 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 +16,500
Spouse 57 \$30,000	\$7,500	\$900 +16,500
Jack 30 \$50,000	\$12,500	\$1,500 +13,500
Jill 25 \$50,000	\$12,500	\$1,500 +13,500
ER Cont	\$32,500	\$36,900
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	\$19,500	\$37,500 +26,000
Spouse ⁵⁷ \$30,000	\$7,500	\$17,400	\$10,500 +26,000
Jack ³⁰ \$50,000	\$12,500	\$1,500 +13,500	\$2,500 +19,500
Jill ²⁵ \$50,000	\$12,500	\$1,500 +13,500	\$2,500 +19,500
ER Cont	\$32,500	\$36,900	\$100,000
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	\$19,500	\$63,500	\$256,634
Spouse ⁵⁷ \$30,000	\$7,500	\$17,400	\$36,500	\$80,514
Jack ³⁰ \$50,000	\$12,500	\$1,500 +13,500	\$2,500 +19,500	\$27,566
Jill ²⁵ \$50,000	\$12,500	\$1,500 +13,500	\$2,500 +19,500	\$18,913
ER Cont	\$32,500	\$36,900	\$100,000	\$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	\$19,500	\$63,500	\$256,634	\$260,277 +26,000
Spouse ⁵⁷ \$30,000	\$7,500	\$17,400	\$36,500	\$80,514	\$81,823 +26,000
Jack ³⁰ \$50,000	\$12,500	\$1,500 +13,500	\$2,500 +19,500	\$27,566	\$5,550 +19,500
Jill ²⁵ \$50,000	\$12,500	\$1,500 +13,500	\$2,500 +19,500	\$18,913	\$5,550 +19,500
ER Cont	\$32,500	\$36,900	\$100,000	\$337,114	\$394,100
EE Cont	\$25,000	\$3,000	\$5,000	\$46,479	\$11,100
ER %	57%	92%	95%	88%	97%

New Plan Set Up Deadlines

SECURE Act

- **New Safe Harbor Plan**
- **Adding Safe Harbor Provisions**
 - **Safe Harbor Match**
 - **3% Non-Elective Safe Harbor**
 - **4% Non-Elective Sage Harbor**
- **New Profit Sharing and Defined Benefit Plans**

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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