

NH HICKS

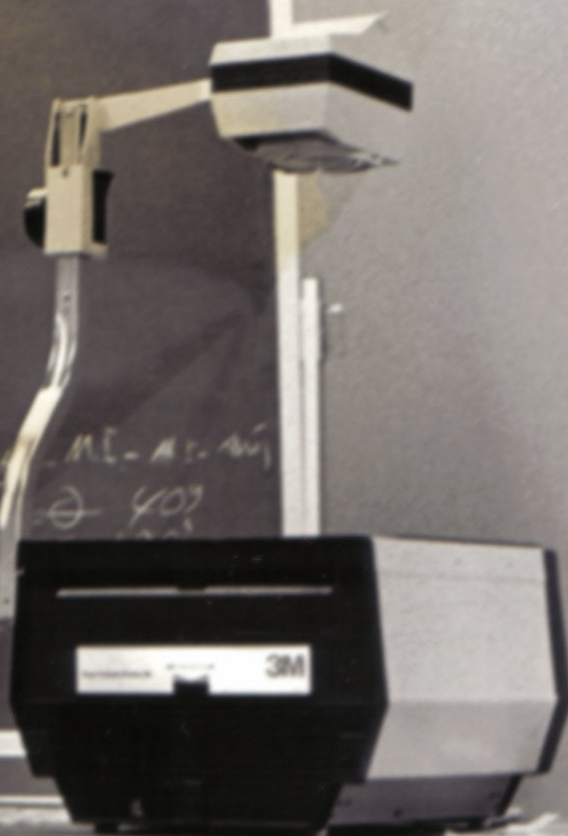
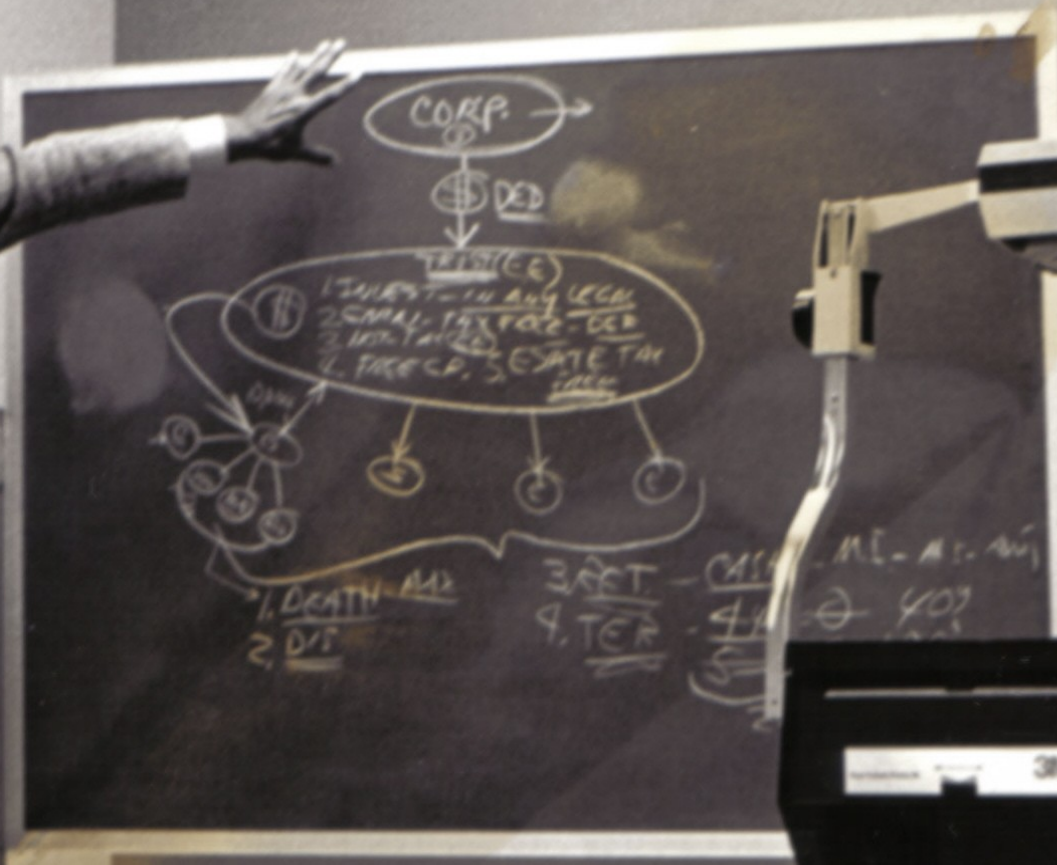
Legal and Pension Consultants

Selling Retirement Plans

2021

Experience Counts





Sales Webinar Outline & Overview

- Ask the Question
- General Market Overview
- Data Mining
- Fiduciary Marketing
- Plan Design Issues
- New Plan Set Up Deadlines
- MEPs, PEPs, & Payroll Companies
- 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 2021 Compliance Calendar.

401(k) Outline 2021

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 \$58,000
(\$64,500 if age 50)

COMPENSATION LIMIT

\$290,000

Table of Limits

	2020	2021
<u>COMPENSATION LIMIT</u> plan year beginning	285,000	290,000
<u>DC ANNUAL ADDITION LIMIT</u> plan year ending	57,000	58,000
<u>401(k) DEFERRAL LIMIT</u> calendar year	19,500	19,500
<u>CATCH-UP DEFERRAL LIMIT</u> calendar year	6,500	6,500
<u>DB ANNUAL BENEFIT LIMIT</u>	230,000	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%):	130,000	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):	185,000	185,000
4) Spouse or linear relation		
<u>TAXABLE WAGE BASE</u>	137,700	142,800

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)
\$232,000	\$58,000	\$58,000
Total	\$58,000	\$58,000

\$232,000 Break Even SEP V. 401(k) with \$58,000 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	\$290,000	\$225,000
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	290,000	\$225,000	\$218,000	\$21,750	\$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	---

\$40,750 more for owner, while \$31,000 less for employees =
\$71,750 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	58,677	77,634	89,280	89,280	89,280	89,280	89,280	89,280	89,280
34	63,368	85,396	98,206	98,206	98,206	98,206	98,206	98,206	98,206
36	68,433	93,930	108,021	108,021	108,021	108,021	108,021	108,021	108,021
38	73,903	103,308	118,806	118,806	118,806	118,806	118,806	118,806	118,806
40	79,811	113,614	130,656	130,656	130,656	130,656	130,656	130,656	130,656
42	86,745	124,939	143,681	143,681	143,681	143,681	143,681	143,681	143,681
44	94,803	137,403	158,012	158,012	158,012	158,012	158,012	158,012	158,012
46	103,341	151,117	173,784	173,784	173,784	173,784	173,784	173,784	173,784
48	112,386	166,211	191,142	191,142	191,142	191,142	191,142	191,142	191,142
50	121,968	182,821	210,244	210,244	210,244	210,244	210,244	210,244	210,244
52	132,115	201,108	231,275	231,275	231,275	231,275	231,275	231,275	231,275
54	142,859	221,328	254,527	254,527	254,527	254,527	254,527	254,527	254,527
56	154,234	243,667	280,217	280,217	280,217	280,217	280,217	280,217	280,217
58	150,124	250,207	287,095	287,095	287,095	287,095	287,095	287,095	287,095
60	144,414	240,690	276,794	276,794	276,794	276,794	276,794	276,794	276,794
62	138,439	230,732	299,497	299,497	299,497	299,497	299,497	299,497	299,497
64	132,162	220,270	296,832	328,443	328,443	328,443	328,443	328,443	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	\$38,500 +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	\$101,000
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	\$64,500	\$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	\$101,000	\$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	\$64,500	\$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	\$101,000	\$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 Profit Sharing and Defined Benefit Plans
- New Safe Harbor Plan
- Adding Safe Harbor Provisions
 - Safe Harbor Match
 - 3% Non-Elective Safe Harbor
 - 4% Non-Elective Sage Harbor

The SECURE Act

Signed into law on December 20, 2019 with most provisions effective January 1, 2020.

Key provisions are:

- Increased RMD age to 72.
- Allows IRA contributions after 70½.
- Allows long-term, part-time employees to participate in 401(k) plans.
- Increases tax credits for start-up of new retirement plans.
- Permits parents to withdrawal up to \$5,000 for birth/adoption expenses.

MEPs, PEPs & Payroll Companies

Multiple Employer Plans (MEP)

- Available to businesses in same industry
- Single plan with participating employers
- One 5500; plan audit at 100 participants

Pooled Employer Plans (PEP)

- No restriction business industry
- Plan controlled by PEP sponsor with minimal plan options for each participating employers
- One 5500; audit at 1000 participants

Payroll Companies

DC Restatements

- Called “Cycle 3” restatements
- Required by the IRS
- Deadline July 31, 2022
- Our Fees \$950 (\$550 owner only)

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

Sales Webinar Outline & Overview

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

Need More Information

Tom Hicks

(530) 521-7024 TomKHicks@nhhicks.com

Debbie Rath

(530) 891-4975 drath@nhhicks.com

Samantha Rath

(530) 891-4975 srath@nhhicks.com

www.nhhicks.com

NH HICKS

Legal and Pension Consultants

Experience Counts