HICKS NOTES

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2024 THE YEAR IN REVIEW: GO SEE YOUR CLIENTS

As we close another year, it's important to reflect on key developments that may impact the year ahead. Below is a summary of major issues you should be aware of as a plan advisor. These topics present an excellent opportunity to engage with business clients, providing value for both existing relationships and potential new clients.

NEW LAWS AND REGULATIONS

The most significant changes stem from the SECURE Act and SECURE Act 2.0. These landmark pieces of legislation aim to enhance retirement plan participation by introducing various incentives for both employers and employees.

Key provisions include changes to **Required Minimum Distribution rules**, the implementation of **automatic enrollment**, expanded eligibility for **long-term part-time employees**, enhanced **tax credits for new plans**, and numerous new rules governing **distributions**. These updates are designed to simplify access, increase participation, and provide greater flexibility for plan sponsors and participants.

The **SECURE Act 2.0** introduced a variety of provisions with differing effective dates. For a concise overview, refer to this summary chart. If you want a more detailed explanation of the key provisions, visit this comprehensive summary.

Understanding these updates can provide valuable opportunities to encourage employers to establish new retirement plans by leveraging the incentives offered.

STOCK MARKET GAINS WILL AFFECT DEFINED BENEFIT FUNDING

The stock market performed well in 2024, which has significant implications for defined benefit plans (DB), traditional and cash balance. These plans typically assume a 5% return for actuarial funding purposes. Returns exceeding this threshold are likely to reduce the future contributions required to fund specific benefits. Return not meeting this threshold may require larger contributions. It is essential to monitor plans nearing their full funding limits, as well as those seeking to maximize contributions.

Conducting a thorough review and rebalancing of all accounts may be prudent to ensure the plan aligns with its intended design. Generally, DB plans benefit from more conservative investment strategies, while defined contribution plans can accommodate higher-risk, higher-reward investment approaches.

CURRENT CLIENT'S BUSINESS REVIEW

The year 2024 has been a mixed landscape for businesses, with some experiencing significant growth while others faced challenges. Many employers have responded by adjusting their workforce, either expanding through new hires or reducing staff. Additionally, some business owners may be considering retirement or exploring generational succession planning.

Qualified retirement plans offer flexibility to adapt with shifting business dynamics. Conducting a thorough review of the client's current business environment enables the creation of a tailored plan design that aligns with their present needs and future goals.

FIDUCIARY REVIEWS AND EMPLOYEE EDUCATION

It is essential for all advisors and plan sponsors to conduct an annual fiduciary review of their retirement plans and administrative procedures. As plan assets grow, it is critical to ensure that fees, as a percentage of those assets, decrease accordingly. Additionally, reviewing the adequacy of processes and procedures is a key part of maintaining compliance and optimizing plan performance.

The foundational principles to follow are **REVIEW, BENCHMARK, and DOCUMENT.** For guidance on maintaining proper records, including Plan Committee meeting minutes, refer to this concise article with helpful tips. Ensuring meeting minutes are up to date is an integral part of sound fiduciary management.

MEPS, PEPS AND PAYROLL COMPANIES CAN'T COMPETE WITH PLANS DESIGN

While some companies have attempted to disrupt the unbundled retirement plan model, they often fall short in delivering superior outcomes. These providers emphasize low costs and ease of administration but lack the ability to offer personalized plan design or address complex questions with expertise. Additionally, despite claims of lower expenses, many of these plans include hidden fees, making them less cost-effective than advertised.

If you encounter clients with such plans, we can provide a better solution. Allow us to prepare proposals demonstrating how to achieve improved outcomes tailored to their needs. As always, **plan design remains the cornerstone of success.**

For a detailed comparison of bundled vs. unbundled models, read this informative article.

USE YOUR RESOURCES

In today's ever-changing environment, it's unrealistic for one person to stay on top of every development. That's why leveraging experts is essential to efficiently address client challenges. We are here to be a resource for you—whether you need a quick answer, a proposal, or some foundational education.

· For access to our latest one-hour webinar resources, click here: Sales & DC/DB Plans | NH Hicks.
· To request a proposal or learn more about our firm, click here: Let's Get Started | NH Hicks.

For questions or comments, our consultants are always available to assist you:
· **Chris Ressa**: Cressa@nhhicks.com
· **Debbie Rath**: Drath@nhhicks.com

Bottom line: Visit your clients, ask the right questions, and review their plans. We're here to support you every step of the way.

Thank you, and we look forward to another successful and prosperous year together!