

# RETIREMENT

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# SELECTING A RETIREMENT PLAN

**S**electing a retirement plan for your company can be an overwhelming process. Wading through data that ultimately affects your company's bottom line and your employees' long term circumstance is no small task. With so much material to consider when choosing retirement plans and retirement management, it is crucial to have a firm who understands the full picture and has the resources to guide you effectively.

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ULTIMATELY AFFECTS YOUR  
COMPANY'S BOTTOM LINE AND  
YOUR EMPLOYEES' LONG TERM  
CIRCUMSTANCE IS  
NO SMALL TASK.**



## **AS YOU BEGIN TO EXAMINE RETIREMENT PLANS FOR YOUR BUSINESS, CONSIDER THESE QUESTIONS TO ENSURE YOU CHOOSE AN APPROPRIATE OPTION:**

### **01 DO YOU WANT TO BENEFIT OWNERS AT THE LOWEST OVERALL COST?**

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Decide if you are most concerned about the overall cost of the plan or the overall benefits and return on investment for owners and employees.

### **02 DO YOU WANT TO MAXIMIZE YOUR TAX DEDUCTION?**

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If this is a high priority for you, certain types of plans will be more desirable than others. Be sure to consider this before choosing your plan.

### **03 DO YOU WANT TO MAKE YOUR COMPANY MORE DESIRABLE TO NEW TALENT?**

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Will a retirement plan be beneficial in attaining new, highly qualified, long-term employees to your company? Benefits can often be more attractive than starting salaries, so consider wisely.

### **04 DO YOU WANT TO PROVIDE AN ADDED BENEFIT TO LOYAL EMPLOYEES?**

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Do you have long-term employees that you want to reward for their continued service to the company? If so, consider what you are willing to do for this group of employees.



## 05 DO YOU HAVE PAYROLL SYSTEMS IN PLACE TO HANDLE WITHHOLDING FOR EMPLOYEE CONTRIBUTIONS?

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If not, you may need to evaluate if your bookkeeper is capable of administering this task. It also may be a good time to price outsourcing payroll or instituting a different payroll system to ensure withholdings are handled properly.

## 06 IF POSSIBLE, WOULD YOU EXCLUDE PARTICULAR EMPLOYEE GROUPS?

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Would it be beneficial to your company or to a majority of your employees to be able to exclude a small portion of employees from the plan? Be sure to have eligibility requirements written clearly for all employees. Types of employees that could be excluded include leased employees, union employees, and non-resident aliens.

## 07 HOW MANY EMPLOYEES CURRENTLY WORK FOR YOUR COMPANY?

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The number of employees currently working for your company may change how much you are able to contribute as an employer or what types of plans you are eligible for.

## 08 DO YOU HAVE A HIGH LEVEL OF EMPLOYEE TURNOVER?

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Knowing this will help you decide when to offer retirement benefits and contributions to employees.





**09 ARE PROFITS STABLE - ALLOWING FOR A REQUIRED YEARLY EMPLOYER CONTRIBUTION OR DO YOU NEED DISCRETION EACH YEAR TO DECIDE IF YOU WILL MAKE AN EMPLOYER CONTRIBUTION AND IN WHAT AMOUNT?**

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This could have to do with the type of business you have or how long you have been in business. Recognize the reality of your year-to-year profits to know if you should commit to a standard yearly contribution or if you should have a variable amount.

**10 DOES THE COMPANY HAVE A PERSON ADMINISTERING THE PLAN THAT CAN UNDERSTAND THE REQUIRED PROVISIONS AND PROVIDE CONSULTING?**

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Having a highly qualified firm that can administer your plan as a Third-Party Administrator is advisable. Your firm can consult with you on managing and operating your plan, answering any questions that may arise.

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**A**nswering these questions and giving honest feedback is the first step in determining the best retirement plan for your business and employees. Once you have responses, make sure to review the information with your qualified employee benefits and retirement firm. A highly trained facilitator from a qualified firm will walk you through this process and confirm that your company is on track.



# COMPLIANCE ISSUES IN RETIREMENT PLANS

Once you have a retirement plan in place for your business, the work is not done! It is important to make sure that your plan is administered correctly and that your retirement plan remains in compliance. Some of the most common issues found in retirement plans are:



**IT IS IMPORTANT TO  
MAKE SURE THAT YOUR  
PLAN IS ADMINISTERED  
CORRECTLY AND THAT YOUR  
RETIREMENT PLAN REMAINS IN  
COMPLIANCE.**

## 01 FAILING TO PROVIDE THE REQUIRED ANNUAL SAFE HARBOR NOTICE.

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Safe harbor notices give timely notice to eligible employees informing them of their rights and obligations under the plan, and certain minimum benefits to eligible employees either in the form of matching or nonelective contributions. They should be sent within a reasonable period of time before the beginning of each plan year.

## 02 NOT TIMELY DEPOSITING EMPLOYEE CONTRIBUTIONS.

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Regulations require that contributions to a 401k be deposited to the plan on the earliest date that they reasonably can be from the employer's general assets, but no later than the 15th business day of the month following the month in which the participant contributions are deducted from their pay. However, this does not mean an employer can routinely wait until the 15th business day to deposit funds.

## 03 NOT PROCESSING PARTICIPANTS' REQUIRED MINIMUM DISTRIBUTIONS.

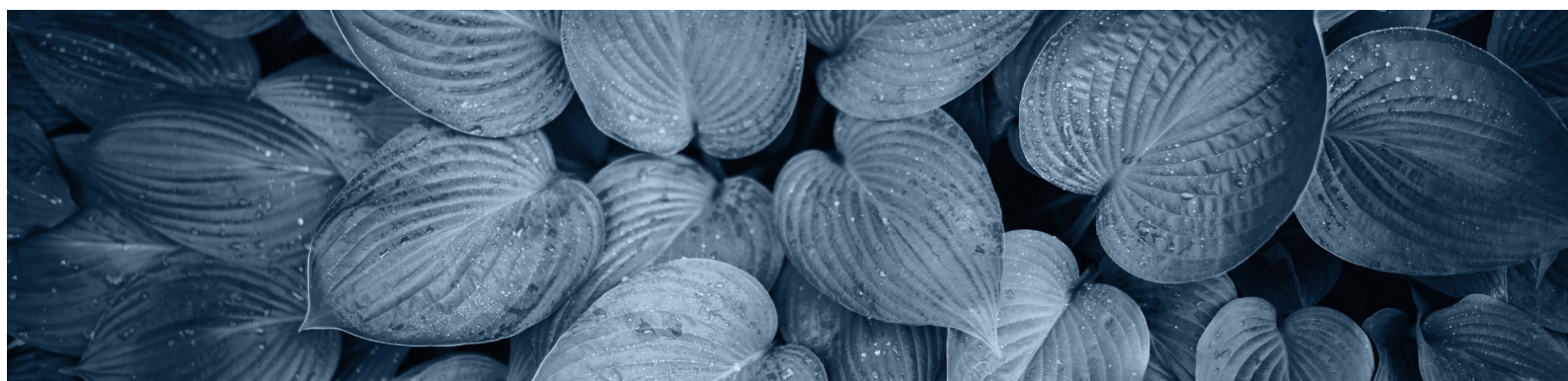
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Required Minimum Distributions are the minimum amount that a participant in a tax-deferred retirement plan account must withdraw annually starting with the year that he or she reaches age 72 (or 70 ½ if you reach 70 ½ before January 1, 2020) in order to avoid significant tax penalties.

## 04 HAVING NO, OR AN INSUFFICIENT, FIDELITY BOND.

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Fidelity bonds are a form of insurance protection that cover participants for losses they incur as a result of fraudulent acts by specific people. It usually insures a business for losses caused by acts of its fiduciaries.





## 05 NOT FILING A FORM 5500 RETURN EACH YEAR.

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The Form 5500 is an annual report, filed with the U.S. Department of Labor (DOL), that contains information about a 401(k) plan's financial conditions, investments, and operations. The purpose of the Form 5500 is to provide the IRS and DOL with information about the plan's operation and compliance with government regulations.

## 06 NOT UPDATING YOUR PLAN DOCUMENT TO REFLECT RECENT LAW CHANGES.

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401(k) plans must be updated from time-to-time to conform to changes in the federal tax laws made by Congress or to reflect official guidance issued by the IRS. If you didn't adopt an amendment on a timely basis, you are a late amender or a nonamender, which means your 401(k) plan doesn't comply with the law and is no longer a tax-favored, qualified plan.

## 07 HARDSHIP DISTRIBUTIONS WEREN'T MADE PROPERLY.

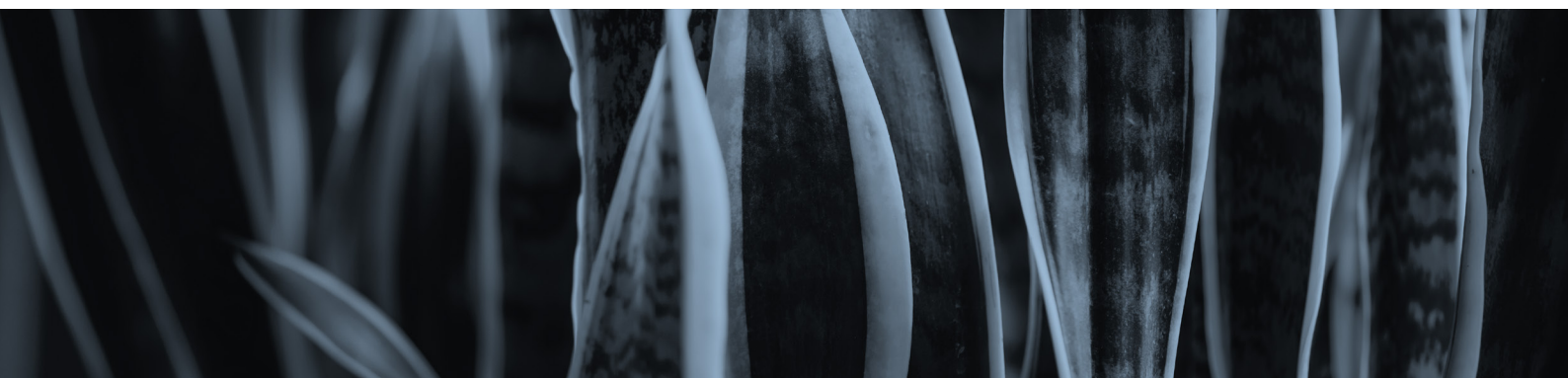
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A hardship distribution is a withdrawal from a participant's account made because of an immediate and heavy financial need. It is limited to the amount necessary for the financial need and often must conform to specific circumstances approved by the IRS.

## 08 NOT OPERATING UNDER THE RULES AND PROVISIONS OF YOUR PLAN DOCUMENT.

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The plan document is a comprehensive document that explains the rights of the plan's participants and beneficiaries, and guides the plan sponsor and administrator in making decisions and executing their responsibilities.



## 09 CONTRIBUTING MORE THAN THE YEARLY IRS LIMIT.

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Excess contributions must be refunded as soon as possible. If the excess is not refunded prior to April 15th, the excess may be taxed twice.

## 10 ELIGIBLE EMPLOYEES WEREN'T GIVEN AN OPPORTUNITY TO ENTER THE PLAN.

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Generally, if you don't give an employee the opportunity to make elective deferrals to a 401(k) plan, you must make a qualified nonelective contribution to the plan for the employee.

**T**he best way to avoid these compliance issues is to have a trained and qualified plan administrator as well as a firm who specializes in employee benefit and retirement practice to walk alongside you. Firms that have services dedicated to employee benefits are able to specialize in the design, implementation, administration, and reporting of employee benefit plans and to provide the highest quality service and attention to their clients. This allows the business to stay informed on the most recent IRS and DOL legislations, keeping them in compliance in an ever-changing landscape. If you are ready to choose or implement a retirement plan for your company or small business and need a highly qualified firm to walk alongside you, contact ATA today.



**OUR EMPLOYEE BENEFITS AND RETIREMENT SERVICES PRACTICE SPECIALIZES IN PROVIDING A HIGH LEVEL OF CUSTOMER SERVICE FOR OUR CLIENTS FROM CHOOSING PLANS TO IMPLEMENTATION TO CONTINUED ADMINISTRATION.**