

End of year thoughts...

Something in the air? We've been busier this October and November than ever, discussing and setting up new plans. Say what you want about the economy, but our client niche - small business - are feeling very comfortable with the idea of either setting up a new plan or adding a new plan with higher contributions.

The election. I won't go "there," but it is possible we'll see changes *directly* impacting retirement plans, as well as those *indirectly* impacting retirement plans, with indirect changes such as tax reform perhaps having the greatest impact (lower tax rates are generally "bad" for retirement plan formation, as - at least in our niche - they are set up with a primary goal of sheltering against (high) taxes). We've heard it all before and aren't unduly concerned, but will keep an eye on it and keep you informed.

The fiduciary rule. (AKA the "conflict of interest" rule as it is described by the Department of Labor.) This was issued in 2016 and made effective April 1, 2017. It means that brokers will be "fiduciaries" - which means they must act in the best interests of plan participants (not themselves). A noble ideal, but of course it comes with many pages of confusing regulations. It's not as disruptive as we feared, but certain brokerage firms have overreacted and decided it means wholesale changes in plan structuring. Fortunately most of my plans aren't affected drastically and we will be able to tweak things to continue more-or-less as we have been operating.

As noted in the following table, the Social Security Wage Base is rising fairly substantially from \$118,500 to \$127,200. If you pay attention to such things, you know that Social Security *benefits* went up just slightly...a cynic might wonder why the *tax* base went up a lot but *benefits* didn't, but honestly, it's just a function of different indexing bases and isn't that sinister.

Best wishes for a happy and healthy holiday season from all of us!

Ed Snyder

Annual update

1) The key limitation numbers for 2017 (and the old 2016 numbers - several changes) are:

	2016	2017
<i>Maximum annual benefit</i>	\$210,000	\$215,000
<i>Maximum annual contribution</i>	\$53,000	\$54,000
<i>Maximum 401(k) deferral</i>	\$18,000	\$18,000
<i>401(k) deferral catchup (over age 50)</i>	\$6,000	\$6,000
<i>Maximum SIMPLE deferral</i>	\$12,500	\$12,500
<i>SIMPLE catch-up (over age 50)</i>	\$3,000	\$3,000
<i>Maximum IRA contribution</i>	\$5,500	\$5,500
<i>IRA catch-up (over age 50)</i>	\$1,000	\$1,000
<i>Annual compensation limit</i>	\$265,000	\$270,000
<i>Social Security Wage Base</i>	\$118,500	\$127,200
<i>Medicare maximum</i>	Unlimited	Unlimited
<i>Comp. threshold for Highly Compensated Employees</i>	\$120,000	\$120,000
<i>Income (exclusion) threshold for SEPs</i>	\$600	\$600

2) Year-end reminders...

~Employee deferrals (401(k) contributions) must be deposited as soon as they can reasonably be segregated from your business assets. ***Small plans (under 100 participants) have a safe harbor of 7 business days, and you simply must meet this safe harbor!*** There is absolutely no reason not to make the deposits immediately after each payroll; if participants did not have deferrals withheld then you would have paid the money in their paychecks. If we know of late deposits, we will advise you to make up for lost earnings and charge for those calculations.

~You should have a signed form on file for eligible participants who are not deferring to a 401(k) plan. The government thinks **you** should make contributions **for them** if they haven't properly elected not to contribute (!)

Employee deferrals (401(k) contributions) should generally be withheld from **all** pay (including bonuses). (For instance, if a participant has elected a 10% withholding rate, you should withhold 10% of bonuses as well as regular pay.) *We have a handful of plans where this does not apply, so check with us if you're not sure.*

~**Remember** to check the appropriate boxes on your W-2s for employees who are covered by your plans...this can sometimes get a bit tricky, especially for profit sharing plans which make contributions after the end of the year, so call if you're not sure.

~**Remember**, when you get your 5500 tax return postcard from the DOL, you do **not** have to send it to us.

~If you'd like to see a trial allocation of a profit sharing contribution, or estimated required contributions to a pension plan, **call or e-mail or fax us** an estimated census (names, compensations, dates of termination if applicable).

~**Please** be sure to include all employees on your year-end census (for calendar year plans, we mail out blank forms in early January). We like to know about all part-time employees, even if you think they'll never enter the plan. If you have "leased employees" or work with "independent contractors", these individuals may have to be covered, or at least considered in certain coverage and participation tests. (Although true independent contractors are not employees, we sometimes run across a client or prospective client who says they have no employees, but then the phone is answered by someone else. If that someone else is paid hourly and works in your office, he or she is most likely an employee in the eyes of the Employee Benefits Security Agency and the IRS.) **Please call** if you have any questions about this area.

~In general, you **MUST** maintain a fidelity bond for the greater of 10% of plan assets or 100% of the assets that are not "Qualifying Plan Assets" (generally, "Qualifying Plan Assets" are assets held at a financial institution, and plan loans). Most of our clients' assets are "Qualifying Plan Assets", but you must nevertheless make sure that you maintain the appropriate bond! We look at this each year, but the minimum bond is supposed to be in place at the **beginning** of the year, and we might not recognize a deficiency until we do the review during the (next) year.

3) Terminated participants

Terminated participants are paid according to the terms of your plan document - in most cases, after the end of the plan year in which they terminate, or later. It's a good idea to remind these people, when they leave, that they have plan benefits and should keep you posted as to their whereabouts. (I know, they're the last ones you want to keep in touch with, but it saves some problems down the road. And no, you can't just hope they disappear and use their money for other participants!) We often have problems finding these "lost" participants, and as always, an ounce of prevention is worth a pound of cure.

4) 1099-R reporting and tax withholding

If your plan is on a self-directed platform, Form 1099-R distribution reporting will generally be handled by the investment custodian and you don't have to do anything. Otherwise, we will outsource that reporting for electronic filing...which means you don't have to do anything except file copies that will be sent to you! (However, if there was withholding during the year, you still have to file Form 945, which reconciles the deposits made during the year. We will prepare this form for you with filing instructions.)

If your plan is on a self-directed platform, tax withholding will generally be handled by the investment custodian and you don't have to do anything. Otherwise, we've been processing withholding through EFTPS (Electronic Federal Tax Payment System) as required under IRS rules - checks are payable to us for processing through our system. (Just follow our directions.)

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