An **MRP Plans, Inc.** **<u>update...</u>** *December 2017*

End of year thoughts...

<u>Still busy!</u> Last year's trend of increasing activity has continued; businesses remain confident enough to set up new retirement plans.

<u>Tax reform.</u> As this is written, the House and the Senate have passed similar but not identical bills, and now it goes to a conference committee to reach a compromise (I've heard the result will be "Great!"). Retirement plans came through pretty much unscathed; there are no direct changes at all. I've said before that we have good lobbyists, and that remains true. I say it with some hesitation, because the business of special interest groups defending their turf kind of disgusts me, but that's a topic for another day...or maybe never. There has been a lot of hype about pass-through income being taxed at lower rates (17-20%), and that would be bad for retirement plan formation - from a purely mathematical standpoint, it would generally make sense to just take the income and pay a 20% tax than set up a retirement plan to defer the tax. However, the fine print appears not to extend this break to "service" businesses - our client base - so it's pretty much status quo.

<u>The fiduciary rule (update).</u> Trying to explain the convoluted history and delays on this rule is beyond the scope of this update. Let's just say that while "full" implementation has been delayed, key elements regarding disclosure are effective now. This primarily affects *financial service providers*, not *plan sponsors*.

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

Ed Snyder

Annual update

1) The key limitation numbers for 2018 (and the old 2017 numbers - several changes) are:

	2017	2018
Maximum annual benefit	$215,000	$220,000
Maximum annual contribution	$54,000	$55,000
Maximum 401(k) deferral	$18,000	$18,500
401(k) deferral catchup (over age 50)	$6,000	$6,000
Maximum SIMPLE deferral	$12,500	$12,500
SIMPLE catch-up (over age 50)	$3,000	$3,000
Maximum IRA contribution	$5,500	$5,500
IRA catch-up (over age 50)	$1,000	$1,000
Annual compensation limit	$270,000	$275,000
Social Security Wage Base	$127,200	$128,700
Medicare maximum	Unlimited	Unlimited
Comp. threshold for Highly Compensated Employees	$120,000	$120,000
Income (exclusion) threshold for SEPs	$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!*** <u>There is absolutely no reason not to make the deposits immediately after each payroll</u>; 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).

~***<u>Please</u>*** 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) **Tax withholding and 1099-R reporting**

If your plan is on a self-directed platform, tax withholding and Form 1099-R distribution reporting will generally be handled by the investment custodian and you don't have to do anything.

Otherwise, we will assist you with the 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). We 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.)