An MRP Plans, Inc. update... **December 2019**

End of year thoughts and holiday greetings

- After many years of little or no interim document changes, we finally had something that required an update this year - new hardship rules. If your plan has hardship language, we've already notified you with instructions on adopting the required amendment. If your plan doesn't have hardship language - no action needed.
- The IRS proposed new rules for Required Minimum Distributions (RMDs), effective in 2021. The new rules will allow for slightly smaller RMDs, as the new tables use longer life expectancies than the current table (last revised in 2002). (This won't mean anything for the 80% or so of distributees who are already taking more than the minimum - the other 20% don't need or at least don't want to take money out...presumably they are more affluent.)
- Key limitation numbers follow below; there are changes to quite a few, with the most notable, at least for most of our clients and participants, being the 401(k) deferral limit increasing to $19,500 (plus catchup of $6,500 if over age 50 for a total of $26,000).

If you ever need to refer to these numbers, they are available on our website here: https://www.mrpplansinc.com/key-limitation-numbers/

We want to wish our clients and associates the best and give thanks for your loyalty and support.

In keeping with a new tradition, in lieu of gifts, I have made additional donations to two local charities: the Trenton Area Soup Kitchen and Mercer Street

Friends. I'm grateful to be able to do this and believe that this is the best way to give thanks.

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

Ed Snyder

Annual update

1) **The key limitation numbers for 2020 (and the old 2019 numbers - several changes) are:**

	2019	**2020**
Maximum annual benefit	$225,000	**$230,000**
Maximum annual contribution	$56,000	**$57,000**
Maximum 401(k) deferral	$19,000	**$19,500**
401(k) deferral catchup (age 50 or over)	$6,000	**$6,500**
Maximum SIMPLE deferral	$13,000	**$13,500**
SIMPLE catch-up (age 50 or over)	$3,000	**$3,000**
Maximum IRA contribution	$6,000	**$6,000**
IRA catch-up (age 50 or over)	$1,000	**$1,000**
Annual compensation limit	$280,000	**$285,000**
Social Security Wage Base	$132,900	**$137,700**
Medicare maximum	Unlimited	**Unlimited**
Comp. threshold for Highly Compensated Employees	$125,000	**$130,000**
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! 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 or email 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.)

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