

**Some information and thoughts after attending a pension conference
(accountants please be sure to see item #2):**

1. Fixing plan defects is somewhat easier. We'd like to think our plans are perfectly run, and in fact we think they are certainly run better than most, but to be honest, I could probably find something wrong with every plan out there, including ours, just based on the sheer volume of laws and regulations waiting to be violated (see the book *Three Felonies a Day*). Anyway, the IRS gave us some more leeway to self-correct things such as loan failures (e.g. not defaulting timely) and document failures (e.g failure to amend). We're generally going to initiate a discussion after we spot a problem, but if you suspect any "issues" please contact us sooner rather than later – such things are typically easier to fix the sooner they are discovered.
2. Retirement plan deductions can help – or hurt – the Section 199A deduction for pass-through entities. This is hypertechnical and I'm not an expert on the 2017 tax act, but for certain Specified Service Trades or Businesses, the pass-through deduction is phased out after reaching an income threshold. *Retirement plan contributions can reduce income, so at the sweet spot, a \$100,000 plan contribution can bring income back to the threshold, allowing the pass-through deduction. Each \$1 to the retirement plan generates a total deduction of \$1.40!* On the other hand, at other points on the spectrum, retirement plan contributions *reduce* the pass-through deduction, so each \$1 to the plan might only generate \$0.80 of net deductions. But all is not lost...in the right circumstances, it might make sense to load up on Roth (non-deductible) contributions and after-tax contributions (generally only available if there are no employees covered).
3. We are still awaiting guidance on implementing the new hardship rules. As discussed previously, hardship rules were relaxed somewhat effective in 2019, expanding the sources available and eliminating the 6-month suspension of deferrals. *We know* that we can operate plans under the new rules before amending for the rules, but we *don't know* exactly when we have to complete the amendments. We'll discuss on a case-by-case basis if and when these issues arise during the year.

Some new legislation is working its way through Congress, but I've learned not to pay too much attention too early in the process.

Ed Snyder