Pathways to Retirement

2020 Retirement Webinar

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Pathways to Retirement

Pathways to Retirement

Webinar Overview

- Introduction
- A Little History
- Why So Complicated?
- How Does This Affect Me?
- Retirement Plan Basics
- What's New

Introduction

Introduction

For most people, retirement will be the biggest expense of their lifetime. Longer average lifespans mean that many Americans live 15 or more years after they stop earning income.

Introduction

Having funds to enjoy post-employment years requires

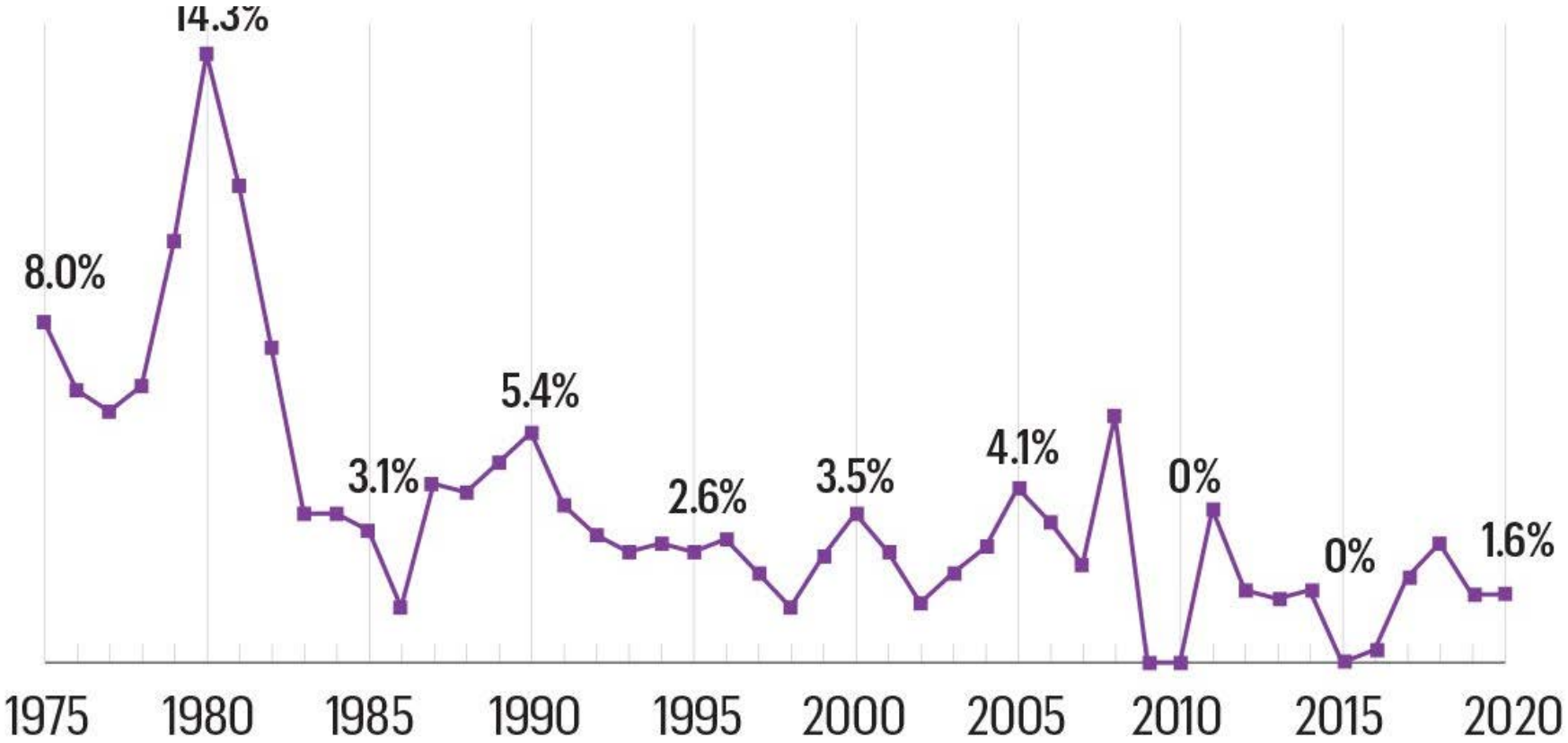
- An understanding of the true cost
- A recognition of personal responsibility to provide for that cost

A Little History . . .

A Little History . . .

While Social Security creates a safety net, it was never intended to be the sole means of support for retirees.

Social Security Cost of Living Adjustments



Source: ssa.gov

A Little History . . .

When Social Security was enacted in 1935,

- The average life expectancy was 60 years
- The normal retirement age was 65 years

A Little History . . .

On average, those who lived to age 65 were expected to live another 12 years.

The benefits were originally designed to provide for the small percentage of Americans who outlived those odds.

A Little History . . .

Linking retirement benefits to employment predates Social Security.

- Pensions for police and firefighters began in the mid-1800s.
- American Express, which began as a freight company, established the first private pension plan in the US in 1875.

A Little History . . .

The implementation of the first federal income tax in 1913 created an incentive for employers to pay tax-deductible pensions to retired employees (and become a tool to promote loyalty to the employer).

A Little History . . .

From 1919 into the 1940s, about 15% of the nation's private sector employees were covered by employer pension plans. The percentage increased to ~25% by 1950 and peaked at ~46% by 1980. Not surprisingly, these trends also followed the model of working for one employer for an entire career.

A Little History . . .

Largely unregulated, early retirement plan attributes were driven by employers.

A Little History . . .

Common features included

- Long-term vesting schedules (20-25 years)
- Discriminatory workforce coverage, favoring key employees
- Unregulated consequences for broken promises when plan were underfunded (lack of accountability)

A Little History . . .

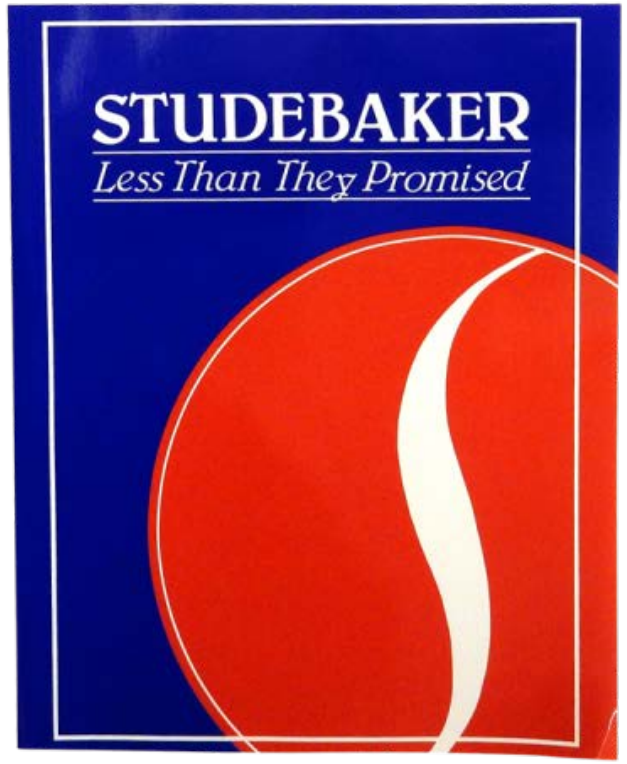
Examples of broken promises

Studebaker: Less Than they Promised (1983)

Airline industry (1990s, 2000s)

Steel industry (2000s)

Examples in Pop Culture



A Little History . . .

Social Security was enacted in part as a response to those broken promises.

With Social Security in place, what motivated employers to continue to fund retirement plans?

A Little History . . .

Worker Retention

Labor unions used retirement plans as a negotiation tool and lobbied for legislation to protect workers.

A Little History . . .

Taxes

Corporate tax rates climbed in response to US involvement in World War II and subsequent conflicts.

A Little History . . .

The maximum corporate tax rate rose steadily from 15% in 1937 to 40% in 1941. By 1952, it had grown to 52%.

These drastic changes in the corporate tax rate motivated employers to make tax-deductible contributions into retirement plans, in spite of the increasing regulations.

A Little History . . .

The 1960s saw more regulation to protect employees. At the time, retirement plans used only employer dollars, through defined benefit plans.

Defined benefit plans promised guaranteed minimum amounts to employees at retirement and required actuarial computations to inform the employer of their funding responsibilities.

A Little History . . .

Concurrently with these increased funding responsibilities, inflation rose as the nation entered the 1970s.

Commitments to guarantee retirement funding grew onerous, prompting the need for more creative approaches. Some form of shifting the responsibility from the employer was needed.

A Little History . . .

The concept of sharing the funding with the employee was introduced by the Revenue Act of 1978, through the establishment of *defined contribution plans* and *Section 401(k) plans*.

A Little History . . .

These two components provided the needed reprieve for employers, including shifting the investment risk of saving for retirement from the employer to the employee.

A Little History . . .

Defined contributions plans allowed employers to limit their financial commitment to retirement plans, rather than have the contribution amounts dictated to them. With defined contribution plans, employers could stay compliant with antidiscrimination rules *and* manage their budgets.

A Little History . . .

The 401(k) provision introduced the concept of using employ**ee** dollars for retirement. Through tax incentives, employees were encouraged to have (pre-tax) dollars withheld from their pay and added to their qualified retirement plans.

A Little History . . .

Thus, began the shift of the retirement planning burden from employers to employees.

A Little History . . .

Questions?

Why So Complicated?

Why So Complicated?

Our current retirement environment is governed by The Employment Retirement Income Security Act (ERISA), which dates to 1974. Starting at 200 pages, the current legislation is now over 4,000 pages, and incredibly complex.

Why So Complicated?

Retirement oversight is governed by not one, but two government entities: the IRS and the Department of Labor. Why so much regulation?

Why So Complicated?

The motivation is clear: taxation

Retirement plans allow employers to avoid taxation by allowing tax-deductible contributions into qualified plans. They allow employees to delay taxation by deferring pre-tax dollars.

Why So Complicated?

No tax is assessed on qualified retirement plans, *or the related earnings*, as long as the funds remain in the plan. Thus, taxation of retirement plans is deferred until the beneficiary receives the money (as disclosed on Form 1099-R).

Why So Complicated?

Further, workers have mobility – many no longer stay with one employer for their entire careers. Their retirement funds may be in several “buckets” due to different sources of earnings.

Retirement Buckets

Why So Complicated?

Payment of retirement benefits could occur decades after the money entered the retirement plan. That's a long time for the government to wait. This time delay provides incentive for the integrity of the plans to be maintained and gives rise to strict reporting requirements.

Why So Complicated?

Questions?

How Does This Affect Me?

How Does This Affect Me?

Let us count the ways!

- As an Auditor
- As a Tax Preparer
- As a Trusted Advisor
- As an Individual

How Does This Affect Me?

It is easy to be overwhelmed by the barrage of terms we hear related to retirement plans:

Defined benefit	Defined contribution
SIMPLE	SEP
Safe harbor	401(k)
Profit Sharing	discrimination testing
Matching	nonelective contributions
	Required minimum distributions

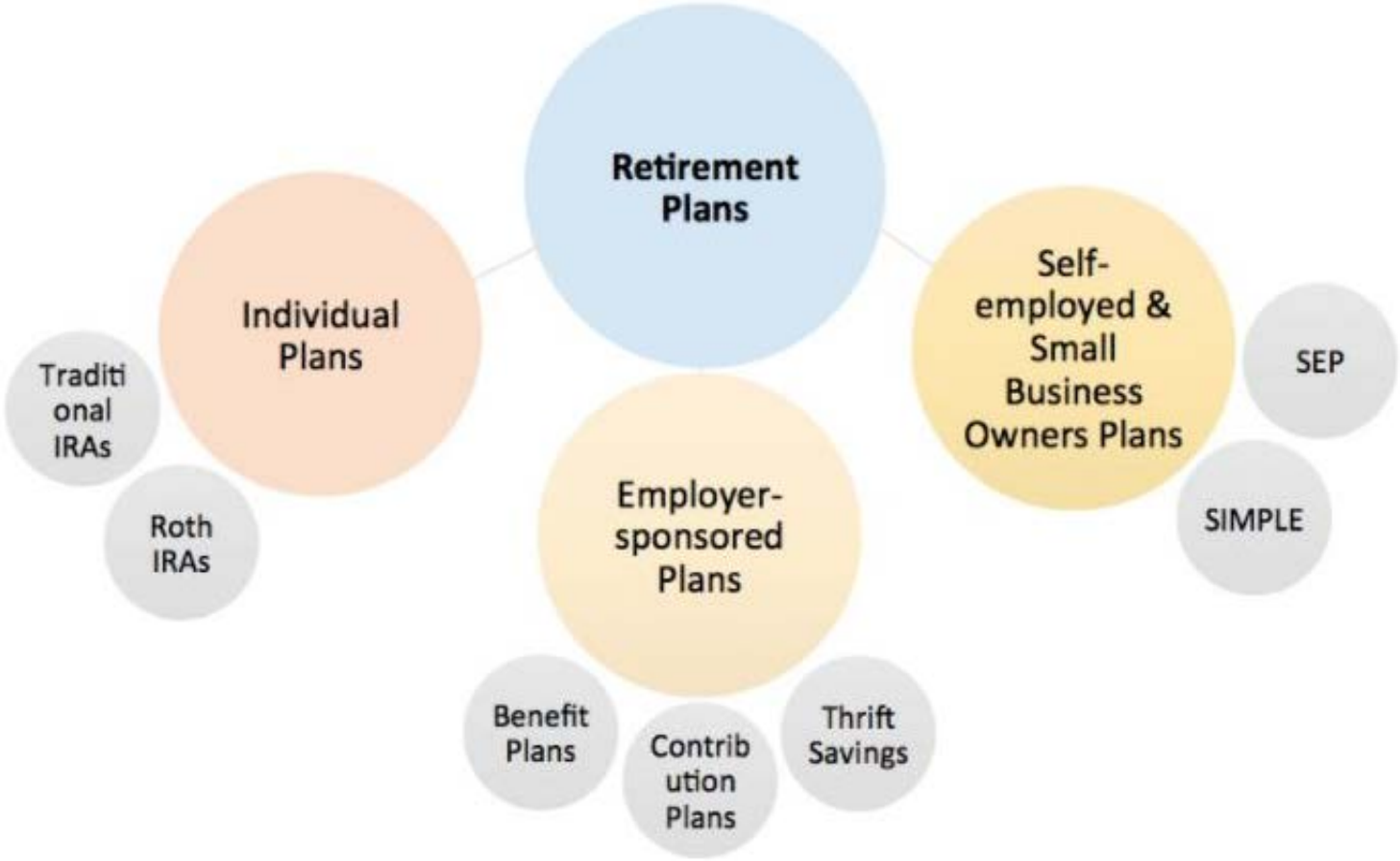


Image from Penn State Financial Literacy Series

How Does This Affect Me? As an Auditor

Part of the regulation of Employee Benefit Plans under ERISA includes audits of those plans. This audit requirement applies to plans with 100 or more eligible participants at the beginning of the plan year.

This is a highly specialized audit area, and our Firm has a dedicated team which is specially trained. Similarly, the AICPA offers resources through The Employee Benefit Plan Audit Quality Center. EBPs are also a dedicated niche at Allinial Global.

How Does This Affect Me? As an Auditor

Outside of EBP audits, auditors also interact with retirement plan features in their audits of all types of businesses, including non-profits.

Common transactions include employer contributions and employee deferrals.

How Does This Affect Me? As a Tax Preparer

Qualified retirement plans have tax filing requirements in addition to audit requirements. Form 5500 is filed with the Department of Labor/IRS, and contains information about the plan's financial condition, investments and operations.

How Does This Affect Me? As a Tax Preparer

Our *business* tax clients also make employer contributions and employee deferrals to retirement plans.

It's our job to make sure we report those contributions correctly. Best practices include confirmation that the client is aware of, and has complied with, regulations regarding those contributions.

How Does This Affect Me? As a Tax Preparer

We see retirement plans at work for our *individual* tax clients most directly with their Forms 1099-R, which shows them receiving their retirement.

☐ VOID ☐ CORRECTED

YER'S name, street address, city or town, state or province, untry, ZIP or foreign postal code, and phone no.		1 Gross distribution $	OMB No. 1545-0119 2020 Form 1099-R	Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
		2a Taxable amount $		
		2b Taxable amount not determined ☐	Total distribution ☐	Copy 1 For State, City, or Local Tax Department
YER'S TIN	RECIPIENT'S TIN	3 Capital gain (included in box 2a) $	4 Federal income tax withheld $	
CIPIENT'S name		5 Employee contributions/ Designated Roth contributions or insurance premiums $	6 Net unrealized appreciation in employer's securities $	
reet address (including apt. no.)		7 Distribution code(s) / IRA/ SEP/ SIMPLE ☐	8 Other $ %	
ty or town, state or province, country, and ZIP or foreign postal code		9a Your percentage of total distribution %	9b Total employee contributions $	

Amount allocable to IRR within 5 years	11 1st year of desig. Roth contrib.	12 FATCA filing requirement ☐	14 State tax withheld $ $	15 State/Payer's state no.	16 State distribution $ $
count number (see instructions)		13 Date of payment	17 Local tax withheld $ $	18 Name of locality	19 Local distribution $ $

n 1099-R www.irs.gov/Form1099R Department of the Treasury - Internal Revenue Service

How Does This Affect Me? As a Tax Preparer

Other ways we interact with retirement plan features for our *individual* tax clients:

- Forms W-2 (box 12)
- Forms K-1
- Self employed retirement contributions

Common Examples

22222

a Employee's social security number

OMB No. 1545-0008

b Employer identification number (EIN)

1 Wages, tips, other compensation

2 Federal income tax withheld

c Employer's name, address, and ZIP code

3 Social security wages

4 Social security tax withheld

5 Medicare wages and tips

6 Medicare tax withheld

7 Social security tips

8 Allocated tips

d Control number

9

10 Dependent care benefits

e Employee's first name and initial Last name Suff.

11 Nonqualified plans

12a

13 Statutory employee ☐ Retirement plan ☐ Third-party sick pay ☐

12b

14 Other

12c

12d

f Employee's address and ZIP code

15 State Employer's state ID number

16 State wages, tips, etc.

17 State income tax

18 Local wages, tips, etc.

19 Local income tax

20 Locality name

Form **W-2** Wage and Tax Statement 2020

Department of the Treasury—Internal Revenue Service

Copy 1—For State, City, or Local Tax Department

K Partner's share of liabilities:

	Beginning	Ending
Nonrecourse	$	$
Qualified nonrecourse financing	$	$
Recourse	$	$

☐ Check this box if Item K includes liability amounts from lower tier partnerships.

L Partner's Capital Account Analysis

Beginning capital account	$
Capital contributed during the year	$
Current year net income (loss)	$
Other increase (decrease) (attach explanation)	$
Withdrawals & distributions	$ ( )
Ending capital account	$

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☐ No If "Yes," attach statement. See instructions.

12 Section 179 deduction

13 Other deductions

14 Self-employment earnings (loss)

20 Other information

21 ☐ More than one activity for at-risk purposes*

22 ☐ More than one activity for passive activity purposes*

*See attached statement for additional information.

Use Only

How Does This Affect Me? As a Tax Preparer

Form 8606 is a form we sometimes encounter as a tax preparer. We need to be aware of when the form is needed, and what it tracks:

- Nondeductible contributions to traditional IRAs
- Distributions from IRAs if you have ever made nondeductible contributions to traditional IRAs (track basis to determine non-taxable portion)
- Conversions from traditional, SEP or SIMPLE IRAs to Roth IRAs
- Distributions from Roth IRAs

How Does This Affect Me? As a Trusted Advisor

In practice, our business clients often lack a true understanding of their fiduciary responsibilities regarding the plans they sponsor. They rely on their CPAs (us!) to keep them informed and compliant.

Further, mistakes happen. We are often contacted to help correct plan mistakes (as a new referral *and* from existing clients).

How Does This Affect Me? As a Trusted Advisor

Sometimes, our *business* clients don't have retirement plans in place, or they may have outgrown their existing plan.

- We can encourage them to consider adopting a plan (or move to a new plan) and assist in evaluating the options available.
- We can help to calculate the expected costs of plans by type, to help with the analysis.
- We can provide guidance regarding the plan features that would best suit their circumstances.

How Does This Affect Me? As a Trusted Advisor

Overview -Employer Contributions by Plan Type

- IRA: none, no Form 5500
- SIMPLE IRA: match 1% to 3% comp (limit $13,500 per employee), no Form 5500
- SEP IRA: up to 25% compensation per employee (limit $57,000), no Form 5500
- Defined Contribution: flexibility based on the plan documents adopted, Form 5500 required

How Does This Affect Me? As a Trusted Advisor

Sample costs for SIMPLE IRA for employer with 10 employees, average wages $50,000, owner wage $100,000, 3% match

- Owner match = (100,000 * 3%) = $ 3,000
- 10 x (50,000 * 3%) = 10 * 1,500 = $ 15,000
- Total Cost $ 18,000

Compare this to buying a piece of equipment at year-end for the §179 deduction

How Does This Affect Me? As a Trusted Advisor

An employer may deduct contribution costs up to the filing of the extended return (also applies to cash basis taxpayers). This provides a useful year-end planning tool for the discretionary employer contribution options within a plan document.

How Does This Affect Me? As a Trusted Advisor

Our *individual* clients ask for our help in a variety of ways.

- Self employed individuals may ask for guidance regarding their retirement plan options.
- Retired individuals often ask for help to determine their required minimum distributions, especially regarding inherited IRAs.

How Does This Affect Me? As a Trusted Advisor

Our SBA team exemplifies our Trusted Advisory services.

Our payroll services include retirement plan contributions and deferrals.

This level of service requires that we understand the plan attributes, to ensure compliance.

We also assist clients when setting up new plans.

How Does This Affect Me? As an Individual

As an individual, your financial security at retirement is your responsibility.

Knowledge is power!

How Does This Affect Me?

Questions?

Retirement Plan Basics


IRA
ROTH
401K

Retirement Plan Basics

Qualified Plan – Definition

A qualified plan is a retirement plan that meets IRS requirements for tax benefits. Contributions to the plan and associated investment income accumulate tax-deferred. To remain qualified, a plan must comply with rules regarding participation, contribution limits, and operational characteristics.

Retirement Plan Basics

- Types of Retirement Plans
  - IRAs and IRA Based Plans
    - IRAs
    - SIMPLE IRAs
    - SEP IRAs
  - Other Qualified Plans
    - Defined Benefit Plans
    - Defined Contribution Plans
    - Hybrid Plans

Elective Deferral and Retirement Limits

	2021	2020	2019
IRA	$6,500	$6,500	$6,000
Over-50 catch up	$1,000	$1,000	$1,000
SIMPLE	$13,500	$13,500	$13,000
Over-50 catch up	$3,000	$3,000	$3,000
401(k), 403(b), 457	$19,500	$19,500	$19,000
Over-50 catch up	$6,500	$6,500	$6,000
Defined Contribution	$58,000	$57,000	$56,000
Total DC (& SEP) with catch-up	$64,500	$63,500	$62,000
Defined Benefit	$230,000	$230,000	$225,000

Retirement Plan Basics - IRA

Individual Retirement Account (IRA)

- Available for individuals who are not covered by an employer plan
- May also be available for an individual who is covered by an employer plan, subject to AGI limits.
- For spouses without taxable compensation, spousal contributions may be allowed

Retirement Plan Basics - IRA

- Contributions are limited to taxable compensation.
- Spousal contributions are subject to the working spouse's taxable compensation
- Compensation includes W-2 wages/salary, commissions, SE income, alimony (pre 12/31/2018), nontaxable combat pay.

Retirement Plan Basics - IRA

Phase-out Limitations when an employee is covered by an employer plan:

- Single: M AGI $65,000 to $75,000
- MFJ: M AGI $104,000 to $124,000
- MFJ and one spouse not covered:

  M AGI $196,000 to $206,000

Retirement Plan Basics – Roth IRA

What are Roth IRAs?

- Contributions to Roth IRAs are made with after-tax dollars.
- The earnings on Roth IRAs are not taxed
- Distributions from Roth IRAs are not taxed.
- Roth IRAs are still subject to IRA limits.

Retirement Plan Basics – Roth IRA

Roth IRA contributions are allowed (subject to taxable compensation) when modified AGI is less than:

- Single, HOH: $137,000
- MFJ: $203,000

Retirement Plan Basics - SIMPLE IRA Plans

- A SIMPLE (Savings Incentive Match Plan for Employees) IRA Plan allows employees and employers to contribute to traditional IRAs without incurring the start-up and operating costs of a conventional retirement plan.
- Available to any small business with 100 or fewer employees
- **No filing requirements for the employer**

Retirement Plan Basics - SIMPLE IRA Plans

- Employees may elect to contribute
- Employer is required to contribute each year EITHER
  - Matching contributions of up to 3% of compensation

  OR
  - 2% nonelective contribution for each eligible employee
- **Be aware that these contribution conditions are inflexible – the price for simplicity**

Retirement Plan Basics – SIMPLE IRA Plans

Steps to establish a SIMPLE IRA Plan:

- Execute a written agreement (the IRS provides a model document – Form 5304-SIMPLE or 5305-SIMPLE)
- Give employees information about the agreement
- Set up an IRA account for each employee

This may be created effective any date from January 1 through October 1 of a year (restrictions apply if prior plan existed).

Retirement Plan Basics - SEP IRA Plans

- A SEP (Simplified Employee Pension) IRA Plan allows employers to contribute to employees' SEP IRA accounts without incurring the start-up and operating costs of a conventional retirement plan.
- Only employer contributions allowed
- Employer contribution limits are same as for defined contribution plans (much larger than SIMPLE)
- **No filing requirements for the employer**

Retirement Plan Basics - SEP IRA Plans

- Only employer contributions allowed
- Employers must contribute a uniform percentage of pay for each employee
- Employers have flexibility to annually determine whether to contribute
- **Be aware that these contribution conditions are inflexible – the price for simplicity**

Retirement Plan Basics – SEP IRA Plans

Steps to establish a SEP IRA Plan:

- Execute a written agreement (the IRS provides a model document – Form 5305-SEP)
- Give employees information about the agreement
- Set up an IRA account for each employee

This may be created as late as the due date (including extensions) of the business income tax return for the year you want to establish the plan.

Retirement Plan Basics

IRA based plans do not require annual tax reports.

Non-IRA based plans require

- Formal documents that remain compliant with ERISA changes
- Annual reporting (Form 5500)
- Audits (if over 100 participants)
- Discrimination testing (with exceptions)

Retirement Plan Basics – Other Qualified Plans

Factors to Consider for Non-IRA Based Plans

- Price tag for choice, flexibility
- Costs to administer
- Price tag for noncompliance
- Fiduciary responsibility
- Prototype plans are available

Retirement Plan Basics – Defined Benefit Plans

Defined Benefit Plans

- Promise a specified monthly benefit at retirement
- Employer contributions are determined by actuarial calculations
- No employee contributions
- Risk of investment rests with employer

Retirement Plan Basics – Defined Contribution Plans

Defined Contribution Plans

- Do not promise a specific amount of benefits at retirement
- May include employer contributions and employee deferrals
- Risk of investment rests with employee

Retirement Plan Basics – Defined Contribution Plans

Common Defined Contribution Plan Types

- Profit Sharing Plan
- Money Purchase Plan
- Stock Bonus Plan
- Employee Stock Ownership Plan (ESOP)
- 401(k) Plan - employee deferrals
- 403(b) Plan (for non-profits) – employee deferrals

Retirement Plan Basics – Hybrid Plans

Hybrid Plans have features of both DB and DC

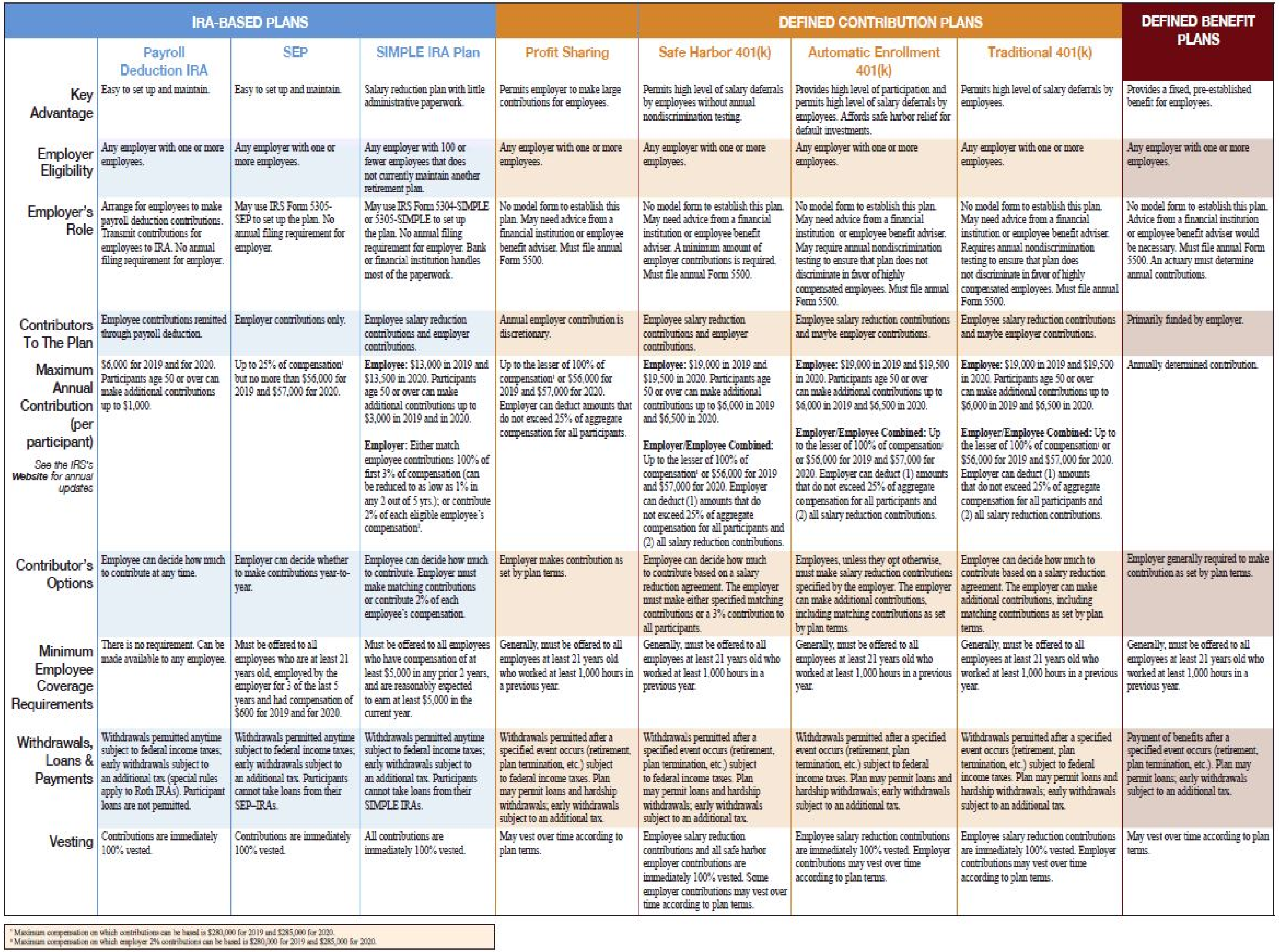
- Cash Balance Plans
- Pension Equity Plans
- Age-Weighted Profit-Sharing Plans
- New Comparability Plans
- Target Benefit Plans

Retirement Plan Basics

Be Aware

The definition of ***Compensation*** *for a retirement plan is a key component for retirement calculations.*

Compensation is defined by the ***document*** *and will vary by document. The calculations are more complex for a self-employed individual (including a partner).*



	IRA-BASED PLANS			DEFINED CONTRIBUTION PLANS				DEFINED BENEFIT PLANS
	Payroll Deduction IRA	SEP	SIMPLE IRA Plan	Profit Sharing	Safe Harbor 401(k)	Automatic Enrollment 401(k)	Traditional 401(k)	
Key Advantage	Easy to set up and maintain.	Easy to set up and maintain.	Salary reduction plan with little administrative paperwork.	Permits employer to make large contributions for employees.	Permits high level of salary deferrals by employees without annual nondiscrimination testing.	Provides high level of participation and permits high level of salary deferrals by employees. Affords safe harbor relief for default investments.	Permits high level of salary deferrals by employees.	Provides a fixed, pre-established benefit for employees.
Employer Eligibility	Any employer with one or more employees.	Any employer with one or more employees.	Any employer with 100 or fewer employees that does not currently maintain another retirement plan.	Any employer with one or more employees.	Any employer with one or more employees.	Any employer with one or more employees.	Any employer with one or more employees.	Any employer with one or more employees.
Employer's Role	Arrange for employees to make payroll deduction contributions. Transmit contributions for employees to IRA. No annual filing requirement for employer.	May use IRS Form 5305-SEP to set up the plan. No annual filing requirement for employer.	May use IRS Form 5304-SIMPLE or 5305-SIMPLE to set up the plan. No annual filing requirement for employer. Bank or financial institution handles most of the paperwork.	No model form to establish this plan. May need advice from a financial institution or employee benefit adviser. Must file annual Form 5500.	No model form to establish this plan. May need advice from a financial institution or employee benefit adviser. A minimum amount of employer contributions is required. Must file annual Form 5500.	No model form to establish this plan. May need advice from a financial institution or employee benefit adviser. May require annual nondiscrimination testing to ensure that plan does not discriminate in favor of highly compensated employees. Must file annual Form 5500.	No model form to establish this plan. May need advice from a financial institution or employee benefit adviser. Requires annual nondiscrimination testing to ensure that plan does not discriminate in favor of highly compensated employees. Must file annual Form 5500.	No model form to establish this plan. Advice from a financial institution or employee benefit adviser would be necessary. Must file annual Form 5500. An actuary must determine annual contributions.
Contributors To The Plan	Employee contributions remitted through payroll deduction.	Employer contributions only.	Employee salary reduction contributions and employer contributions.	Annual employer contribution is discretionary.	Employee salary reduction contributions and employer contributions.	Employee salary reduction contributions and maybe employer contributions.	Employee salary reduction contributions and maybe employer contributions.	Primarily funded by employer.
Maximum Annual Contribution (per participant) *See the IRS's* **Website** *for annual updates*	$6,000 for 2019 and for 2020. Participants age 50 or over can make additional contributions up to $1,000.	Up to 25% of compensation[1] but no more than $56,000 for 2019 and $57,000 for 2020.	**Employee:** $13,000 in 2019 and $13,500 in 2020. Participants age 50 or over can make additional contributions up to $3,000 in 2019 and in 2020. **Employer**: Either match employee contributions 100% of first 3% of compensation (can be reduced to as low as 1% in any 2 out of 5 yrs.); or contribute 2% of each eligible employee's compensation[2].	Up to the lesser of 100% of compensation[1] or $56,000 for 2019 and $57,000 for 2020. Employer can deduct amounts that do not exceed 25% of aggregate compensation for all participants.	**Employee:** $19,000 in 2019 and $19,500 in 2020. Participants age 50 or over can make additional contributions up to $6,000 in 2019 and $6,500 in 2020. **Employer/Employee Combined:** Up to the lesser of 100% of compensation[1] or $56,000 for 2019 and $57,000 for 2020. Employer can deduct (1) amounts that do not exceed 25% of aggregate compensation for all participants and (2) all salary reduction contributions.	**Employee:** $19,000 in 2019 and $19,500 in 2020. Participants age 50 or over can make additional contributions up to $6,000 in 2019 and $6,500 in 2020. **Employer/Employee Combined:** Up to the lesser of 100% of compensation[1] or $56,000 for 2019 and $57,000 for 2020. Employer can deduct (1) amounts that do not exceed 25% of aggregate compensation for all participants and (2) all salary reduction contributions.	**Employee:** $19,000 in 2019 and $19,500 in 2020. Participants age 50 or over can make additional contributions up to $6,000 in 2019 and $6,500 in 2020. **Employer/Employee Combined:** Up to the lesser of 100% of compensation[1] or $56,000 for 2019 and $57,000 for 2020. Employer can deduct (1) amounts that do not exceed 25% of aggregate compensation for all participants and (2) all salary reduction contributions.	Annually determined contribution.
Contributor's Options	Employee can decide how much to contribute at any time.	Employer can decide whether to make contributions year-to-year.	Employee can decide how much to contribute. Employer must make matching contributions or contribute 2% of each employee's compensation.	Employer makes contribution as set by plan terms.	Employee can decide how much to contribute based on a salary reduction agreement. The employer must make either specified matching contributions or a 3% contribution to all participants.	Employees, unless they opt otherwise, must make salary reduction contributions specified by the employer. The employer can make additional contributions, including matching contributions as set by plan terms.	Employee can decide how much to contribute based on a salary reduction agreement. The employer can make additional contributions, including matching contributions as set by plan terms.	Employer generally required to make contribution as set by plan terms.
Minimum Employee Coverage Requirements	There is no requirement. Can be made available to any employee.	Must be offered to all employees who are at least 21 years old, employed by the employer for 3 of the last 5 years and had compensation of $600 for 2019 and for 2020.	Must be offered to all employees who have compensation of at least $5,000 in any prior 2 years, and are reasonably expected to earn at least $5,000 in the current year.	Generally, must be offered to all employees at least 21 years old who worked at least 1,000 hours in a previous year.	Generally, must be offered to all employees at least 21 years old who worked at least 1,000 hours in a previous year.	Generally, must be offered to all employees at least 21 years old who worked at least 1,000 hours in a previous year.	Generally, must be offered to all employees at least 21 years old who worked at least 1,000 hours in a previous year.	Generally, must be offered to all employees at least 21 years old who worked at least 1,000 hours in a previous year.
Withdrawals, Loans & Payments	Withdrawals permitted anytime subject to federal income taxes; early withdrawals subject to an additional tax (special rules apply to Roth IRAs). Participant loans are not permitted.	Withdrawals permitted anytime subject to federal income taxes; early withdrawals subject to an additional tax. Participants cannot take loans from their SEP–IRAs.	Withdrawals permitted anytime subject to federal income taxes; early withdrawals subject to an additional tax. Participants cannot take loans from their SIMPLE IRAs.	Withdrawals permitted after a specified event occurs (retirement, plan termination, etc.) subject to federal income taxes. Plan may permit loans and hardship withdrawals; early withdrawals subject to an additional tax.	Withdrawals permitted after a specified event occurs (retirement, plan termination, etc.) subject to federal income taxes. Plan may permit loans and hardship withdrawals; early withdrawals subject to an additional tax.	Withdrawals permitted after a specified event occurs (retirement, plan termination, etc.) subject to federal income taxes. Plan may permit loans and hardship withdrawals; early withdrawals subject to an additional tax.	Withdrawals permitted after a specified event occurs (retirement, plan termination, etc.) subject to federal income taxes. Plan may permit loans and hardship withdrawals; early withdrawals subject to an additional tax.	Payment of benefits after a specified event occurs (retirement, plan termination, etc.). Plan may permit loans; early withdrawals subject to an additional tax.
Vesting	Contributions are immediately 100% vested.	Contributions are immediately 100% vested.	All contributions are immediately 100% vested.	May vest over time according to plan terms.	Employee salary reduction contributions and all safe harbor employer contributions are immediately 100% vested. Some employer contributions may vest over time according to plan terms.	Employee salary reduction contributions are immediately 100% vested. Employer contributions may vest over time according to plan terms.	Employee salary reduction contributions are immediately 100% vested. Employer contributions may vest over time according to plan terms.	May vest over time according to plan terms.

[1] Maximum compensation on which contributions can be based is $280,000 for 2019 and $285,000 for 2020.

[2] Maximum compensation on which employer 2% contributions can be based is $280,000 for 2019 and $285,000 for 2020.

Retirement Plan Basics

Questions?

What’s New

What's New

SECURE Act of 2019

Setting Every Community Up for Retirement Enhancement – signed into law 12/20/2019

Most sweeping update of retirement legislation since 2006

Product of a bipartisan effort to make retirement savings more accessible for less-advantaged people


WHAT'S NEW?

What's New – SECURE Act of 2019

While many features of the SECURE Act address technical portions of Qualified plans, here are a few takeaways:

- Allows an employer to adopt a plan (and make employer contributions) for a tax year up to the due date of the tax return (including extensions)
- Provides a tax credit for certain start-up costs
- Provides a tax credit if an employer adopts an eligible automatic enrollment arrangement (EACA)
- Provides incentive for small employers to set up "safe harbor" plans that are less expensive and easier to administer (or to convert an existing plan)
- Enables small business owners to join together to offer multiple employer plans (MEPs)

What's New – SECURE Act of 2019

How the SECURE Act affects individuals:

- Changed the age at which retirement plan participants must begin receiving required minimum distributions (RMDs) from 70 ½ to 72
- Repeals the maximum age for traditional IRA contributions (was 70 ½)
- Allows long-term, part-time workers to participate in 401(k) plans
- Inherited IRA distributions to non-spouse beneficiaries must be paid out within 10 years (generally) – these are sometimes referred to as "stretch IRAs"
- Allows up to $5,000 to be withdrawn penalty-free for "qualified birth or adoption distribution"

What's New

CARES Act of 2020

Coronavirus Aid, Relief, and Economic Security – signed into law 3/27/2020

What's New – CARES Act

How the CARES Act affects Retirement Plans:

- Temporarily waives required minimum distributions from retirement accounts for participants who were required to receive such distributions in 2020
- Allows a penalty-free coronavirus-related distribution option of up to $100,000, *if provision is adopted by employer.* Distributions may be included in income ratably over a three-year period.
- Increases the maximum amount that may be taken as a plan loan from $50,000 to $100,000, and provides payment relief for outstanding loans (*not all plans allow loans – subject to plan provisions*)

What's New

Firm Experts

For EBP audits: JSL, KLK, MWH

For EBP tax issues: RMB, CJL

What's New

Resources

- https://www.dol.gov/agencies/ebsa
- https://www.irs.gov/retirement-plans
- https://www.aicpa.org/interestareas/employeebenefitplanauditquality.html

What's New

Questions?

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