Plan Sponsor

Digest

Issue 1, 2018

Your Challenge, Our Solutions™

Small business retirement plans

Does your business offer a retirement plan? Whether you've recently started a business or have been operating one for some time, setting up a retirement plan can be beneficial to both you and your employees. Besides providing tax incentives to defer income and save for retirement, retirement plans can help you reward and retain employees. Employer contributions are tax deductible, within certain limits.

SEP plans

A Simplified Employee Pension (SEP) plan is relatively easy and inexpensive to set up and administer. You have complete discretion in determining whether or not to make annual contributions. To set up a SEP plan, you establish SEP individual retirement accounts (IRAs) for yourself and your employees. Qualifying contributions are tax deductible and not included in the employees' current income. Taxes are deferred until money is withdrawn from the plan.

The maximum amount of your contribution for each employee is the lesser of 25% of annual compensation or \$55,000, and no more than \$275,000 of compensation may be considered (for 2018). There is a special computation for figuring the maximum contribution to a self-employed individual's own SEP account. Additionally, contributions may not discriminate in favor of highly compensated employees.

Solo 401(k) plans

A solo 401(k) plan may be a suitable option if you work alone or employ only your spouse. The chief advantage of a solo 401(k) plan is that it allows you to save as both the employee and the employer. As an employee, you may defer the first \$18,500 of your compensation (or \$24,500 if you're age 50 or older).

As the employer, you may also make a profit sharing contribution (subject to tax law limits). The combination of all contributions – including deferrals, profit sharing, and any others – may not exceed the lesser of (1) 100% of your compensation or (2) \$55,000 (\$61,000 if you're age 50 or older). Contribution limits are adjusted annually for inflation.

SIMPLE IRAs

Like a SEP, a SIMPLE IRA plan entails setting up IRAs for yourself and each participating employee. You and your employees can elect to defer compensation to the plan (no more than \$12,500 in 2018; \$15,500 if age 50 or older). Additionally, employers must make an annual contribution by either (1) matching employee contributions up to 3% of pay (a lower 1% match is allowed in certain years) or (2) contributing 2% of pay for each employee who's eligible to contribute, even if the employee chooses not to contribute.

A SIMPLE plan generally isn't an option if you have another retirement plan or more than 100 employees.

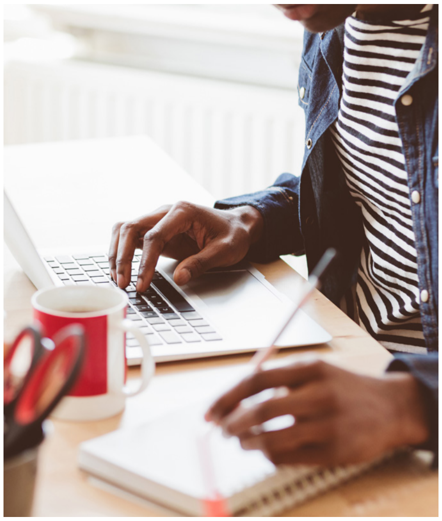
Defined benefit plans

The chief advantage of a defined benefit plan is the high deduction ceiling, which allows owners to rapidly build up their retirement benefits. For 2018, deductible contributions may allow for an annual benefit that will, when the participant reaches age 65, equal the lesser of \$220,000 per year or 100% of the participant's average compensation for his or her three highest consecutive years of active plan participation.

The disadvantages of this type of plan include the funding and administrative requirements. Complicated actuarial formulas must be used to calculate the contributions to be made each year.

Sharing retirement plan information electronically

Distributing information about your retirement plan electronically can be quick and cost-effective. However, to comply with federal regulations, you must take care how you distribute the information. The method you choose must be reasonably calculated to ensure actual receipt of the material and to prevent individuals other than the intended recipient from receiving or gaining access to it.



Types of information

Basically, you can electronically distribute almost any plan information, including:

- Summary plan description, summary of material modifications, summary annual report
- Benefit statements
- Section 404(c) investment information
- Plan loan information
- Qualified domestic relations order notifications

In addition, participants can give certain consents electronically.

Format

Acceptable electronic media include Internet and intranet websites, email, computer disks, CD-ROMs, and DVDs. To ensure the actual receipt of the information, you can use return-receipt or notice of undelivered email features or conduct periodic reviews or surveys to confirm receipt. Safeguards such as personal identification numbers (PINs) can help protect the confidentiality of personal information. Avoid providing access at a company kiosk or other common access point where someone else could potentially view the information. Bear in mind that kiosks are not an exclusively permissible method for distributing information.

The electronically delivered documents do not have to look exactly like the paper documents. But be sure to prepare and furnish them in a manner consistent with the style, format, and content requirements applicable to the particular document. Include a notice that informs the recipient of the importance of the document (for example, "the attached document describes changes in benefits offered by your plan") and of the right to request and receive a paper version. The notice can be part of the electronic transmission or it can be a paper notice distributed concurrently.

Access and consent

The type of electronic access a participant routinely has generally determines whether you need to secure the recipient's affirmative consent to provide plan documents and information electronically. Generally, if the employee has effective access to electronic media at work as part of his or her regular duties, you don't need prior consent. However, you will have to provide paper documents if the participant or beneficiary requests them.

For employees who do not have routine electronic access at work, beneficiaries, and other nonemployee recipients, you must obtain their affirmative consent to receive documents electronically. The consent must contain a clear and conspicuous statement informing the person of the types of documents to be disclosed, the right to withhold or withdraw consent and how to do so, the right to request paper documents, and the hardware and software requirements for accessing and retaining the documents.

Generally, for disclosures using the Internet or other electronic communication network, the consent must reasonably demonstrate that the person has the ability to access the information. You also must communicate changes in hardware or software that could affect access and offer recipients the right to withdraw consent after such changes. And they must consent to receiving documents in the new way.

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