AMERICA'S RETIREMENT HEADQUARTERS

EMPLOYER SECURE ACT 14 POINT QUESTIONNAIRE

COMPLIMENTS OF AMERICA'S RETIREMENT HEADQUARTERS

■ Opening –

- The SECURE Act, also known as Setting Every Community Up for Retirement Act, is one of the most important pieces of retirement legislation passed in decades. Effective January 2020, this wide-sweeping retirement savings bill enacted some significant changes that will no doubt have long-term implications on Individual Retirement Annuities (IRAs) and 401(k) plans alike.

- As a result, the advisors at America's Retirement Headquarters continue to assess the effects of these legislative changes and have developed some strategies to help retirement plan sponsors respond to some key provisions of the law.

■ Key Provisions –

- Part-Time Eligibility – The SECURE Act mandates that any long-term, part-time employee over the age of 21 who has worked at least 500 hours in three or more consecutive years, is eligible to contribute to the plan. Previously, part-time employees were excluded from eligibility until they had worked a minimum of 1,000 hours in a 12-month period.
  - ◊ Key questions retirement plan sponsors should consider regarding part-time employee's eligibility:
    - Do you have a system for monitoring your part-time

employees' eligibility in the retirement plan?

Yes / No / Not Sure.

- If you have a large number of part-time employees, would it be easier from a tracking standpoint, to allow employees over 21 that have worked at least 500 hours in the last twelve months, to contribute to the plan?

Yes / No / Not Sure.

- Safe Harbor 401(k) Qualified Automatic Contributions Arrangement (QACA) Increase In Maximum Deferral Rate - Safe Harbor 401(k) plans can be a great alternative for businesses having trouble passing discrimination testing. One key feature of a Safe Harbor Plan is the ability for plan sponsors to implement automatic enrollment features, which requires participants to opt-out of making automatic contributions to the plan. Prior to the SECURE Act, automatic contributions were capped at 10% of a participant's eligible compensation. However, the SECURE Act increased the auto-enrollment contribution cap to 15%.
  - ◊ Here are some key questions retirement plan sponsors should consider regarding Safe Harbor plans:
    - Are your employees aware of the impact the automatic savings increase might have on their take-home pay?

      Yes/No/ Not Sure.

    - Do you have a plan for communicating the increase, as well as the opt-out feature for the new automatic contribution increase?

      Yes / No / Not Sure.

- Small-Business Tax Incentives Enhancement –
  - Given their ability to reduce tax on a dollar-for-dollar basis, tax credits are often used by governments to encourage certain business behaviors. In order to encourage more small businesses to offer retirement plans, the SECURE Act increased the maximum tax credit for plan start-up costs from \$500 to \$5,000. The exact amount of the credit is calculated as the greater of the following:
    - \$500, or
    - The lesser of
      - \$250 multiplied by the number of eligible rank-and-file participants
      - \$5,000
- Here are some key questions retirement plan sponsors should consider regarding their ability to qualify for more tax credits:
  - Are you taking additional steps to educate your employees about participation in the plan?

    Yes / No / Not Sure.

- Have you surveyed your employees to determine how important financial education in the workplace is to them?

  Yes/ No / Not Sure.

▪ Delayed Required Minimum Distributions (RMDs) – Failure to process RMDs in a timely manner is one of the most common compliance issues for retirement plan sponsors. Prior to the SECURE Act, retirement savers over the age of 70 ½ were required to begin taking minimum distributions from their IRAs, 401(k), and other qualified plans. In response to statistical evidence showing Americans are working and living longer, the SECURE Act delayed the Required Distribution Date (RBD – the date at which an employee must begin taking RMDs) to age 72.

- Here are some key questions retirement plan sponsors should consider regarding their employee's Required Minimum Distributions (RMDs):
  - Do you have a process for monitoring your employee's RMD requirements?

    Yes / No / Not Sure.
  - Are your participants aware of the rules regarding RMDs and active employment? **Yes / No / No Sure.**
  - Are more than 5% owners in the organization aware they have to take RMDs, regardless if they are still working or not?

    Yes / No / Not Sure.
  - Are your participants aware they do not have to take an RMD in 2020 due to COVID 19?

    Yes / No / Not Sure.

▪ Removal of Stretch IRA Provision – Non-spousal beneficiaries of IRAs and 401(k)s are now required to have the entire balance of their inherited IRA distributed by the 10th calendar year following the deceased's date of death. Previous to the SECURE Act, all inherited IRA beneficiaries were able to "stretch" the Required Minimum Distributions (RMDs) out over their lifetime.

- Here are some key questions retirement plan sponsors should consider regarding the beneficiaries of deceased employee retirement accounts:
  - Are primary, as well as contingent beneficiary designations up to date?

    Yes / No / Not sure.
  - Are participants aware of the spousal exemption from the 10-year distribution rule?

    Yes / No / Not Sure.

▪ In-Plan Annuities – Given the recent economic downturn associated with COVID 19, more employers are considering allowing plan participants to purchase annuities inside their retirement plans. Annuities can offer additional protection against market performance and provide a fixed income stream for life. However, fiduciary responsibility for selecting an annuity providers still remain, as the job of evaluating the credit-quality and claims-paying ability of an insurance company falls squarely on the shoulders of the plan sponsor. To address this concern, the SECURE Act created a Safe Harbor provision to help protect employers from liability associated with having annuities in their plans, provided certain criteria is met.

- Here are some key questions retirement plan sponsors should consider regarding in-plan annuities:
    - Does your retirement plan currently offer an annuity investment option?

      Yes / No / Not Sure.
    - Are you aware of the requirements necessary to receive protection from potential liability associated with offering annuities in the retirement plan?

      Yes / No / Not Sure.

What's next?

- It is still unclear whether the SECURE Act will be the end-all, be-all retirement legislation that significantly reduces the retirement savings deficit most American's face today. However, it is safe to say the legislation illustrates the importance of being educated about all the options at your disposal. As a sponsor of a retirement plan, the responsibility of ensuring these changes is yours.
- Let's Talk: If you answered No, or Not Sure to any of the 14 question above, please give us a call because we can help. The advisers at America's Retirement Headquarters are seasoned retirement professionals who can help your employees make better decisions about money and ensure they do what is necessary to secure a successful retirement.

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