THE ROSENBAUM LAW FIRM P.C.

THE LAW FIRM REVIEW

A Publication for Plan Sponsors and Retirement Plan Professionals

The Most Avoidable Errors Of A 401(k) Plan Sponsor.

So easy to avoid.

There are a lot of times where you'll suffer a mishap because there are certain things beyond your control. However, there are many instances out there where a mishap occurs because you failed to do something so simple like not leaving the stove on in your house. When it comes to retirement plan sponsors, there are so many things that can go wrong in the operation of a retirement plan. However, there are many errors that could affect the tax qualification of the plan and cost needless amounts of money to correct on some very simple things that can be easily avoided through the plan sponsor's control. This article is about plan errors that a 401(k) plan sponsor can easily avoid.

For the article, click here.

A Plan Sponsor's Guide To Selecting Retirement Plan Providers.

Down goes Moorer with a right hand.

Since I was about nine and saw it on HBO, one of my favorite movies has been Caddyshack. I loved Caddyshack years before I even liked golf and years before I was mature enough to get all the jokes. One of my favorite scenes is when Judge Elihu Smails corners Ty Webb and asks Ty what was his score was for the last round he played. Ty said he didn't keep score and Judge Smails wondered how Ty would be able to measure himself against other golfers. Ty quickly retorted he could against them measure by height. When it comes to evaluating plan providers to consider hiring, it's hard to develop a metric that would gauge whether a provider should be hired or not. You can't measure by height. So this article is to evaluate how to select plan providers from every Tom, Dick, Harry, and Jane that wants you to select them to be your plan provider.

To read the article, please click here.
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Things That Plan Providers Don't Tell You as a 401(k) Plan Sponsor.

They don't tell you because they don't want you to know.

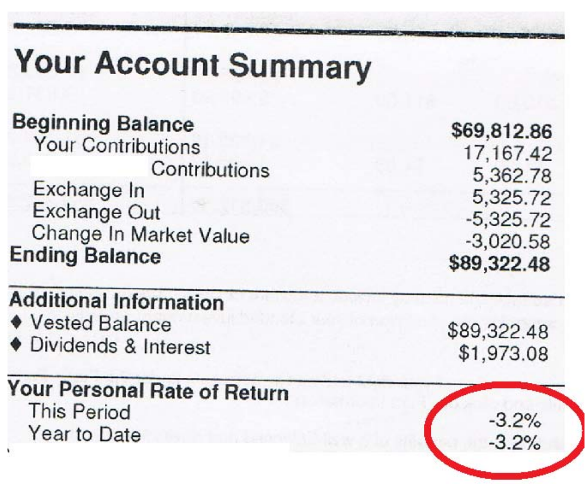
When my wife and I bought our house, there were quite a few things that the previous owner forgot to tell us such as the fact they never bothered to pull the pipes from the dental office run by a previous owner 20 years earlier or all the bad carpentry work that the husband was a complete failure at doing it himself. When it comes to an employer sponsoring a 401(k) plan, there is no set of instructions given to you on how to properly operate one. So this article is about the things they forget to tell a plan sponsor in operating a 401(k) plan.

To read the article, please click here.

2017 was a banner year for 401(k) Plans.

It was pretty, pretty good.

An analysis by the Employee Benefit Research Institute (EBRI) shows that 2017 was a banner for 401(k) plan account balance. The analysis found that the average account balance for younger (25-34), less tenured (1-4 years) workers gained 43% in 2017.



Your Account Summary

Beginning Balance	**$69,812.86**
Your Contributions	17,167.42
Contributions	5,362.78
Exchange In	5,325.72
Exchange Out	-5,325.72
Change In Market Value	-3,020.58
Ending Balance	**$89,322.48**
Additional Information	
♦ Vested Balance	$89,322.48
♦ Dividends & Interest	$1,973.08
Your Personal Rate of Return	
This Period	-3.2%
Year to Date	-3.2%

For older workers, the average 401(k) account balance of those aged 55-64 with more than 20 years of tenure ended the year nearly 20% (19.5%) higher than they began the year. Having been in the business long enough to remember two huge stock market downturns, this is some good news.

While some always lament 401(k) plans when the markets tank, it's nice to appreciate when workers can make some nice gains.

Class action lawsuit isn't the only fear.

There are a lot of scarier things out there.

Forfeitures that occur when people terminate service from retirement plans is usually a problem when the

plan sponsor and their providers forget about them. Whether forfeitures are used to pay expenses, reduce employer contributions or is reallocated is specified in the plan document. The problem is when they just left there to collect dust.

Forfeitures should be allocated in the year that they occur. If they don't, it might be an issue for the Internal Revenue Service (IRS) or the Department of Labor (if participants are deprived of an employer contribution from these forfeitures).

There is no reason that an employer should have hundreds of thousands of dollars growing each year in forfeitures, they should be allocated annually. Otherwise, the plan may run into an issue and it's silly to have compliance issues with something as silly as holding onto forfeitures.
So if you have a client with loads of forfeitures, tell them to get rid of them.

To be safe, read those trust statements.

It can avoid finding out there has been a theft.

In light of some troubling news that a third party administrator (TPA) was shut down by the Federal Bureau of Investigation (FBI) for possible theft of plan assets, there is one pro-active step you should take as a plan sponsor and it's really simple.

When it comes to plan theft, you can't guard your plan's assets like putting an alarm on your car or putting a guard to stand outside a bank. What you can do is to actually review your plan's trust statements and identify any unusually large plan withdrawals that can't be attributed to participant payouts. As long as the plan assets are held by a reputable custodian like Fidelity, Schwab, Empower, Mass Mutual, Vanguard, and any other well-known investment institution, you can make sure that the statements will be accurate when it comes to mass withdrawals. My client who had their assets where Bernie Madoff was the custodian was out of luck.

You can't eliminate the threat of theft, but you can make moves to minimize the risk. So review those trust statements when received and make sure the ERISA bond is up to date as well as your fiduciary liability insurance. If you see any suspicious activity in your trust statements, say something.

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