THE ROSENBAUM LAW FIRM P.C.

THE LAW FIRM REVIEW

A Publication for Plan Sponsors and Retirement Plan Professionals

Plan Features And Services Aren't A Fit For Every Plan Sponsor .

There is nothing out there that is a fit for everything.

Did you ever buy a car and the dealer was trying to sell you things you didn't really need like etched glass and under carriage treatments? Well, retirement plan sponsors are sold services that many times they really don't need. The problem is that unlike the etched glass, plan sponsors really don't whether a service for the retirement plan is necessary for their needs. As I often say, there isn't a retirement plan solution that is appropriate for every plan sponsor out there. Everything that a retirement plan sponsor should get is something that actually fits their needs. This article is the many services offered for retirement plan and when plan sponsors should say no thanks.

For the article, click here.

How 401(k) Plan Sponsors Can Avoid Turning Their Plan Into A Disaster.

Just like a disaster movie.

I'm a movie fan especially a fan of movies from the 1970s. One genre of movies made famous during the 1970s was the disaster movie. The Poseidon Adventure, Airport, and The Towering Inferno led to a great successful genre until it was killed off by The Swarm, Beyond The Poseidon Adventure, and When Time Ran Out (all Irwin Allen productions by the way). Retirement plan sponsors cant afford to have their retirement plan become a disaster, especially when they are responsible to clean up the mess. This article is about disasters that a 401(k) plan can turn into and how to avoid it.

To read the article, please click here.

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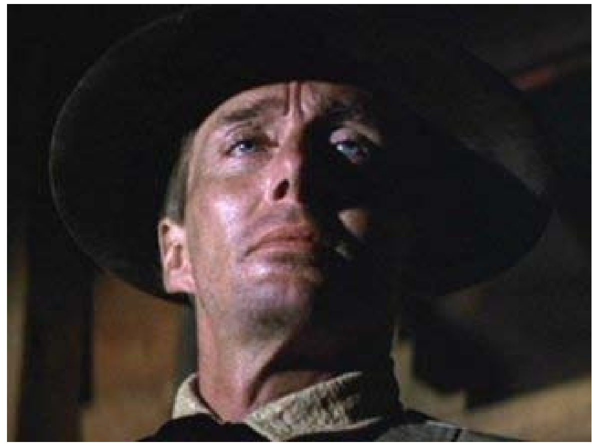
It Looks Good On Paper For The 401(k) Plan Sponsor, But... .

Sounds great, but there are problems.



Often there are things that look good on paper and don't look good in practice like an Apple Newton or Incredible Universe. Those business bombs cost the businesses that pushed them out. For 401(k) plan sponsors, they can ill afford to implement practices and procedures that look good on paper, they need to understand that in practice doesn't look as good as paper.

To read the article, please click here.

IRS announces 2018 retirement plan limits.

It's that time of the year again.

As 2017 nears its end, we already have the retirement plan limits set for 2008 by the Internal Revenue Service (IRS).

For 401(k) plans, the 2018 limit for salary deferrals contributions is $18,500, up $500 from 2017's limit. Remember this limit is per participant, regardless of how many plans that a participant is enrolled in.

The annual additions maximum contribution (employer and employee combined) increases by $1,000 to $55,000.

Plan participants who contribute to the limit next year will be able to receive up to $36,500 from match and profit-sharing contributions ($55,000 minus $18,500).

The employee compensation limit for calculating contributions is $275,000, up $5,000, while the compensation limit of key employees in a top-heavy plan and of highly compensated employees in a top-heavy plan remains the same at $175,000 and $120,000, respectively.

For defined benefit plans, the limit for the maximum annual benefit rises from $215,000 to $220,000.

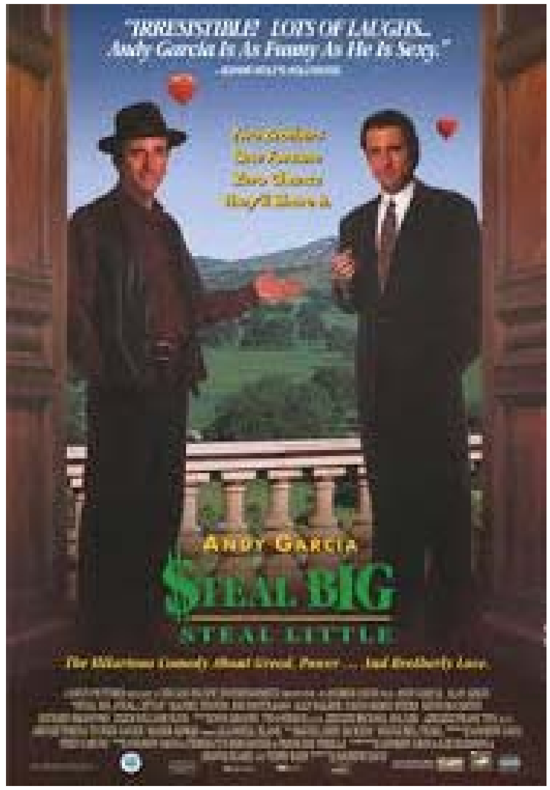
For SIMPLE and SEP plans, the maximum contribution limits are unchanged at $12,500 and $600, respectively; for ESOPs, the maximum account balance in the plan subject to a five-year distribution period will increase to $1105,000 from $1,080,000, while the dollar amount used to determine the lengthening of the five-year distribution period rises to $220,000 from $215,000.

Annual IRA contributions, as well as IRA catch-ups, are unchanged at $5,500 and $1,000, respectively.

Stealing plan assets is easier than you think.

Theft by a TPA or a fiduciary can happen.

A third party administrator (TPA) and/or plan fiduciary stealing plans assets is easier than you think. The rumor that TPA Vantage Benefits stole $14 million from 6-7 of their clients shouldn't be surprising to me because I saw it before with Matt Hutcheson and I saw it before at the TPA I worked at.



A plan administrator working at my TPA was close to getting a distribution from the 401(k) account of a client's participant. The only reason he got caught is that the plan custodian found out that the administrator got the wrong account number for his rollover IRA. So if the administrator wasn't so dumb in getting his IRA account number, he would have been able to get that distribution. The administrator was caught and fired. Charges were never pressed because what TPA is going to acknowledge that they have no processes in place to prevent it.

Why is it so easy for TPAs and financial advisors to steal plan assets? The problem is you have plan custodians and in the Matt Hutcheson case, a TPA assumes that orders to liquidate and transfer are on the up and up. You can't blame these providers who unwittingly got involved in a criminal case, but it's understandable. Plan providers assume liquidation and transfer requests are lawful because a fiduciary or TPA who steal plan assets will eventually be caught because their fingerprints will be all over the embezzlement.

While we can't fathom why anyone in a fiduciary or fiduciary-like setting will steal plan assets, this is why we should understand that things like plan embezzlement can happen.

Location of your plan provider isn't an issue these days.

It's not as important as it used to be, thanks to technology.

I'm the guy who will travel to a Target further from my home because the Target in Farmingdale is far better than Westbury and Valley Stream and people think I'm crazy to travel 15 minutes more for a better run store with better clearance sales. When my family has had medical issues, we travel to the best doctor out there whether it's in the same town or New York City, which has some of the best medical care in the world.

So I'm still shocked when plan sponsors want plan providers who are local. Shopping locally for pizza or food makes sense, but technology makes requiring your plan providers to be local is silly. Thanks to technology, the plan provider across the country can virtually be in any meeting you need them to attend. As an ERISA 3(16) plan administrator with clients around the country, I'm always there when my clients need me even if they are in San Francisco. The Internet has made the world smaller, so there is no need to hire plan provider that is local. Since you can have online meetings and constant email messages, there are no requirements that your providers be local.

Find the best plan provider out there, whether they're in town or thousands of miles away.
In real estate, it's all about location, location, location. When it comes to plan providers, it's about competence and reasonable fees.

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The Rosenbaum Law Firm Review, December 2017 , Vol. 8 No. 12

The Rosenbaum Law Firm P.C.
ary@therosenbaumlawfirm.com
www.TheRosenbaumLawFirm.com
734 Franklin Avenue, Suite 302
Garden City, New York 11530
Phone 516-594-1557
Fax 516-368-3780