

The 401(k) Amendment Period Is Here

Act now to make sure that your plan keeps up with new laws & regulations.

Provided by *Benedict A. Mitchell Jr.*

The clock is ticking. Between now and April 30, 2016, 100% of 401(k) plans, profit sharing plans, and other tax-qualified plans that use an IRS-approved prototype plan document must be amended and restated.¹

If this doesn't occur by the above deadline, these retirement plans risk losing their tax-qualified status and the corresponding tax advantages they offer to plan participants. Any amendments to the current plan document must be incorporated into a fresh "core" document.^{1,2}

Here's your chance to refine your plan – to possibly lower its costs, to get more out of it. A little analysis from a consultant (and perhaps a little surveying of your plan participants) may allow you to answer some crucial questions.

Are the plan fees still reasonable? The required annual benchmarking gives you an opportunity to compare, contrast and see how they measure up vis-à-vis other plan providers.

Are employees nudging you about more provisions? Do they want a Roth option, or a chance to make in-plan Roth conversions? Are they able to take loans? Should non-spousal beneficiaries be eligible for rollovers?

Is there room for improvement when it comes to deductions and allocations? Is the business getting the maximum deduction? Do the highest-salaried workers often end up with percentages of their 401(k) deferrals refunded back to them?

Should the vesting schedule be revisited? Should you change from three-year "cliff" vesting to a six-year gradual vesting schedule, or vice versa? What benefits might result from such an alteration?

Have employee demographics at your business shifted? Do the plan participation criteria need adjusting? Is auto enrollment a good idea, and should there be an automatic escalation option?

This is the time to "look under the hood" of your plan. You will probably need to rewrite or at least notably revise your 401(k) plan document by the spring of 2016. Why not opt for a formal review of your 401(k) plan in the process? Some plans only permit changes at the start of a calendar year, so looking ahead now is quite wise.

Who has the ultimate responsibility to make sure that your plan complies with ERISA? You do.

Don't risk controversy and possible legal action from plan participants as a result of inattention or procrastination. Ask today about a plan review – it could be very illuminating, and it could help you amend, reassess and improve your company's 401(k).

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Citations.

1 - irs.gov/irb/2014-17_IRB/ar08.html [4/21/14]

2 - clacconnect.com/Private-Client/Wealth-Advisory/2014-Tax-Qualified-Retirement-Plan-Restatement-Reasonable-Fees.aspx [4/1/14]