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PENSION CONSULTANTS

RETIREMENT PLAN SOLUTIONS

Insight from Alliance Benefit Group, One of the Largest National Independent Retirement Plan Providers

Founded in 1992 • Administration of Over 20,000 Plans and 1.3 Million Plan Participants • Over $70 Billion in Assets Under Management • Plans in All 50 States

SPRING 2019

Inside This Issue

PLAN INNOVATION: STUDENT LOAN DEBT & RETIREMENT PLANNING

Student loan debt in America now totals more than $1.5 trillion according to the St Louis Federal Reserve.* In addition, the most recent Survey of Household Economics and Decision-Making from the Federal Reserve Board indicates that 42% of Americans who have attended college, and 30% of all adults, have incurred debt to finance a degree.**

In fact, student loan debt is now the second largest consumer debt in the U.S. after mortgages and the amount continues to grow. Unfortunately, a recent study by the Center for Retirement Research at Boston College revealed that college graduates with student debt accumulate 50% less retirement wealth in their 401(k)s by age 30 than those without.

Struggling To Pay & Save

The reality is, for today's younger workforce, paying off student loan debt often detracts from an employee's ability to contribute to a retirement plan. It's a growing issue in the U.S. that has now resulted in some innovative thinking with regards to helping employees meet student loan obligations while saving for retirement.

For example, Abbot Laboratories, an American healthcare company, has launched an innovative employee benefit wherein:

- If an employee makes student loan payments totaling at least 2% of his or her compensation, then,
- The company will contribute 5% to that employee's 401(k) whether the employee contributes to their 401(k) or not.

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IRS PRIVATE LETTER RULINGS – WHAT YOU SHOULD KNOW

When a specific situation requires greater clarity or relief is sought for a complex tax situation, applying to the IRS for a private letter ruling can provide guidance regarding the interpretation and application of a regulation with respect to a specific taxpayer (plan sponsor) and situation. An overview of the six steps to take in applying for a private letter ruling are as follows:

1. **Look for existing guidance:** The first step in the process is to identify whether the matter under consideration has been already addressed by regulation, court decision, revenue ruling, revenue procedure or notice.

2. **A no ruling topic:** If there is no existing IRS guidance, you should then confirm that the IRS has not declared your subject a "no ruling" topic. Review the "no ruling" lists that the IRS issues at the beginning of each year as well as any subsequent updates.

3. **Talk with the IRS:** Seek direct guidance from the IRS before applying for a private letter ruling. Call the IRS to discuss your proposed ruling request and do research in advance of that call that you can use to advance your cause.

4. **Follow the application procedure**: Follow the IRS requirements and instructions for applying for a private letter ruling. These instructions are typically included in the revenue procedures that are published annually.

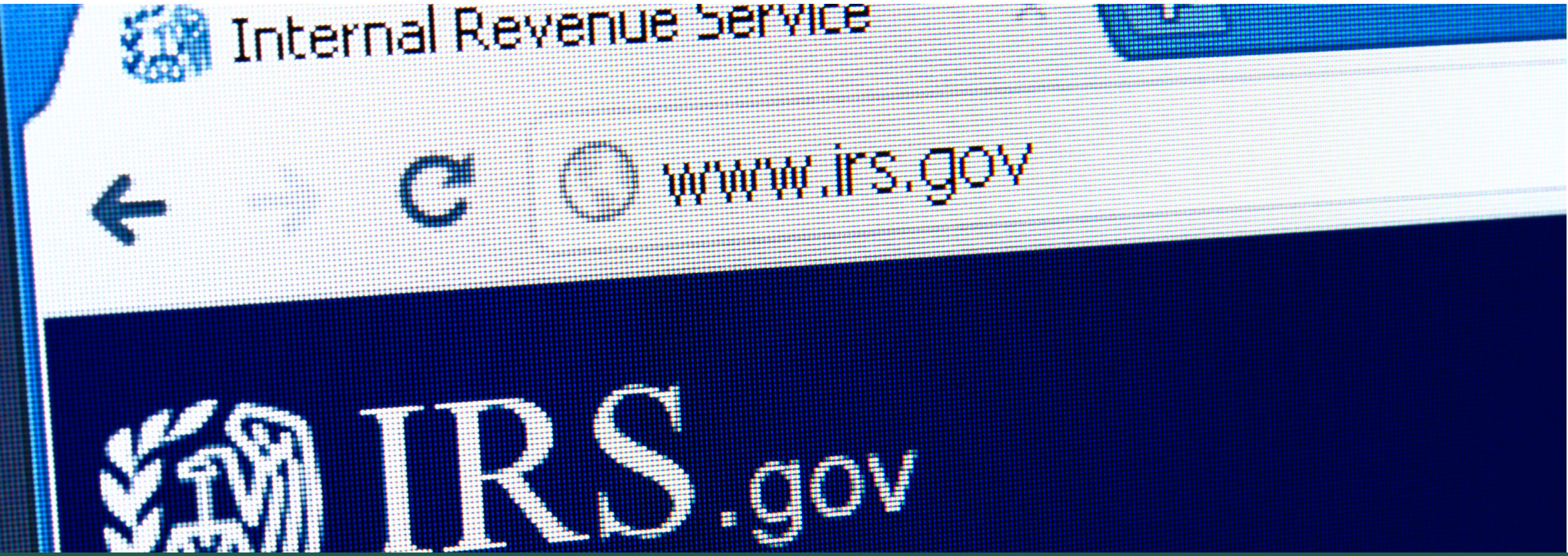
5. **Automatic or simplified**: Determine if your ruling request falls under an automatic or simplified method. These are listed in the appendix of the revenue procedures.

6. **Keep in Touch:** Maintain contact with the IRS while your ruling is pending. Obtaining a complex private letter ruling can take months. Keeping in touch with the person listed in the IRS acknowledgment of receipt of your ruling application can help to speed up the process.

Revised IRS Procedures Update – Highlights To Be Aware Of

The IRS has updated its revenue procedures governing letter rulings, determination letters, and other guidance, including guidance about employee benefit plans for 2019.
Click here to view.

These updated 2019 revenue procedures are an important resource when it comes to plan-specific guidance from the IRS. Not only do they specify current procedures, they provide practical tools including sample formats, checklists, and user fee schedules. Your ABG representative can help you with any questions you may have.



USING DB/DC COMBO PLANS TO BOOST RETIREMENT SAVINGS

Business owners no longer need to make trade-offs between the advantages of defined benefit plans and defined contribution plans when choosing retirement plans. By implementing a DB/DC Combo Plan they are able to take advantage of the best features of both retirement plans and potentially save more for a comfortable retirement.

Advanced Plan Design Affords Multiple Benefits

A DB/DC Combo Plan is an advanced plan design strategy that partners a traditional 401(k) plan (defined contribution plan) with a cash balance pension plan (defined benefit plan).

- Employees still benefit from the features associated with a 401(k) plan such as employee deferrals, participant directed investment accounts, and rollover options.
- Additionally, the owner and key employees are able to access higher levels of pre-tax savings through the use of a cash balance pension plan in conjunction with the 401(k) plan.

Ramping Up Retirement Savings

The cash balance pension plan may be useful for the small business owner and key employees who wish to accumulate a significant amount of retirement savings in a short period of time.

In a typical cash balance plan, the participant's account is credited each year with a "pay credit" (a percentage of compensation) and an "interest credit" (either a fixed rate or a variable rate linked to an index such as the one-year treasury bill rate).

The owner and key employees can take advantage of the higher savings potential of the cash balance pension plan while still contributing to a 401(k) plan, enabling them to significantly boost their annual retirement savings.

For example, rather than only being able to save the 2019 maximum of $25,000 in a 401(k) a 60-year-old business owner is also able to contribute a meaningful percentage of his or her salary to a cash balance pension plan. Based upon plan documents, an owner may be able to contribute $100,000, $200,000 or more annually in pre-tax contributions.

To Learn More

Creative plan design such as that offered by DB/DC Combo Plans can be tailored to achieve greater contribution goals for business owners and key employees. Your local ABG representative is available to help you with any questions you may have about DB/DC Combo plans and determine if they make sense for your company's situation.

DID YOU KNOW?

- 48% of working Americans surveyed in 2018 anticipate working past age 65, up from just 16% of workers who felt that way 30 years earlier (source: Employee Benefit Research Institute).
- 37% of retired Americans report they retired earlier than planned as a result of health problems, buyout packages, layoffs, grandchildren, or caring for an aging parent (source: Health and Retirement Study).
- 48% of households in America headed by individuals at least age 55 have no retirement savings, 26% have a defined contribution (DC) plan (e.g., 401(k) or IRA) but no defined benefit (DB) pension plan, and the remaining 26% have both a DC and a DB plan (source: Government Accountability Office).

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The Result: By paying down their student loans, the employee has the benefit of the employer contributing towards their retirement.

It's a win-win for the company as it seeks to retain talent in a competitive marketplace and a win-win for the employee who can make a payment towards student loan debt, while at the same time have the comfort that a portion of their retirement is being funded.

The IRS Response

Importantly, in a private letter ruling the IRS determined that this Abbot Laboratories solution did not violate the provisions of the 401(k) tax code. In essence, the private letter ruling allowed that, under certain circumstances, an employer can link the amount of its 401(k) matching contributions for an employee to the amount of student loan repayments made by the employee. It is important to note that this private letter ruling refers specifically to the Abbot Laboratories situation and does not provide carte blanche guidance for other plans. However, it does provide the opportunity for future retirement plan developments and further discussion along these lines.

The Developments Continue

While not yet widespread, Abbot Laboratories' creative student loan repayment/retirement plan solution reflects the changing needs of the U.S. workforce and how companies and retirement plan providers continue to evolve to meet these needs. In response to this development, employers and retirement plan industry groups have pushed for legislation that would provide guidance on how employers should structure student loan repayment benefits within retirement plans.

Congress has also taken note. Senator Ron Wyden, member of the Senate Finance Committee, has introduced legislation that would permit 401(k), 403(b) and SIMPLE retirement plans to make matching contributions to employees as if their student loan payments were salary. This proposed Retirement Parity for Student Loans Act, which is included in the broader Retirement Security & Savings Act, would enable employers to voluntarily allow recent higher-education graduates to pay their student loans while receiving employer matching retirement plan contributions. Employers would attribute the student loan payments as salary reduction contributions made to the retirement plan. The proposed legislation states that the rate of matching for student loans and for salary reduction contributions must be the same.

At ABG we strive to stay abreast of important and groundbreaking retirement plan developments. As this student loan repayment benefit issue continues to develop, we will keep you updated. Your local ABG representative is always available for any questions you may have.

* As of February 7, 2019
** Survey as of May 2018.

ABG NEWS

ABG of Michigan Celebrates 50-Year Anniversary in 2019

ABG member firms have been helping clients reach their retirement plan goals for decades – averaging over 40 years of operation per firm. This year ABG member firm ABG of Michigan (ABG MI) celebrates 50 years in business and continues to be at the forefront of providing innovative and comprehensive retirement plan solutions to employers and employees. Founded in 1969, ABG is a full-service retirement plan consulting and administration firm headquartered in Bingham Farms, Michigan.

ABG Member Pentegra Recognized For Community Involvement

ABG member firms are highly committed to community service in the areas in which they operate and serve. A prime example of this, ABG member firm Pentegra will join the Business Council of Westchester County, New York, 2019 Hall of Fame when it receives an award for Corporate Citizenship this month. John Pinto, President and CEO of Pentegra said: "I am proud and thrilled that Pentegra has been selected as the 2019 winner of the Corporate Citizenship award in recognition of our contributions to the health of Westchester County. Our many company-supported volunteer service projects and continued commitment to making Westchester County our home could not be achieved without the amazing support of our employees who truly care about our community." Pentegra is a leading provider of retirement planning and fiduciary outsourcing solutions to organizations nationwide.

A Comprehensive HSA Solution Is Launched

According to a recent study from Franklin Templeton, paying for health-related expenses in retirement is the number one expense concern for individuals of all ages. In fact, nearly half (48%) of individuals surveyed said they do not know how they will pay their medical expenses in retirement.

That's why MyHSA, a product of ABG Retirement Plan Solutions, has launched an investment-friendly, advisor-friendly HSA solution available for the employer-sponsored HSA market. This unique solution brings together multiple firms to deliver a best-in-class HSA platform that applies innovative investment solutions and best-practices from the 40-year evolution in the defined contribution retirement market. "This platform will enable and empower advisors to discuss saving specifically for health care expenses in retirement, which is often times best achieved by saving in an HSA," said Paul Oakford, Vice President, MyHSA. Click here to learn more.

TAX TALK

Upcoming Compliance Deadlines

		June 2019
June 30	»	Deadline for processing corrective distributions for failed ADP/ACP test from plan with EACA without 10% excise tax (if applicable)
		July 2019
July 29	»	Deadline for sending Summary of Material Modification (SMM)
July 31	» » »	Deadline for filing Form 5500 (without extension) Deadline for filing Form 5558 to request automatic extension of time to file Form 5500 Deadline for filing Form 5330 - Return of Excise Taxes Related To Employee Benefit Plans

The Unintended Consequences of Early Withdrawals For Participants

In some cases, participants may need to take money out of their retirement plans early. This withdrawal should be one of last resort as it has significant tax consequences:

- The IRS charges a 10% penalty on early withdrawals (before the participant is 59½ years old) from most qualified retirement plans. There are some exceptions to this rule including disability or death of the participant.
- Rollovers are a nontaxable withdrawal if the participant rolls the funds over to another retirement plan or an IRA within 60 days.

For any questions please contact your local ABG representative.