# FIVE TIPS TO HELP KEEP YOUR PLAN IN COMPLIANCE

With all of your responsibilities as a plan sponsor, it can be challenging to make sure the retirement plans you offer associates are in compliance with applicable rules and regulations. Keep these five tips in mind to help ensure your plan meets IRS requirements.

## Use the Term "Compensation" Correctly for Deferrals and Allocations

Because the term "compensation" can be applied different ways, such as when allocating employer contributions, it can be difficult to identify and apply the correct definition for each scenario. One way to stay on top of it is to review the plan document definition of compensation used to determine elective deferrals, employer nonelective and matching contributions, maximum annual additions and top-heavy minimum contributions. Then take a look at your company's plan election forms to make sure those terms match the plan terms.

## Make Sure You Understand the Legal Requirements for Hardship Distributions

Associates must have an eligible reason to qualify for a hardship distribution, and they must first exhaust other sources of financing before applying for one. The plan sponsor must, in turn, understand the rules for the making the distribution, including the fact that the distribution can only be made from accumulated elective deferrals (not from earnings on those deferrals). If you don't make the distribution according to your plan document, or you make a distribution but your plan doesn't have language permitting them, you will have to correct those mistakes to help ensure your plan is in compliance.[1]

## Deposit Participant Plan Contributions on Time

Make sure you understand the deadline for depositing participant plan contributions. According to the IRS, contributions must be deposited as soon as they can be reasonably segregated from the company's assets, but no later than the 15th business day of the month following payday. If you can make them sooner, you are required to, because that would be considered reasonably possible.[2]

## When Applicable, Get Spousal Consent on Distributions

If a distribution from your plan is made in any other form besides a Qualified Joint & Survivor Annuity (QJSA) without getting proper consent from a spouse, it is considered an operational qualification mistake. This type of mistake could result in a plan losing its tax-qualified status. Before your company makes a distribution, it's a good idea to make sure your HR accounting department has correctly classified a participant as not married, because that life status could change.

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## Know Which Plan Expenses Can Be Paid From Plan Assets

It can be tricky to know which expenses can be paid from plan assets and which can't. According to the Department of Labor, there are two types of plan expenses. One is settlor expenses, which have to be covered with non-plan assets. Those expenses typically include things like the cost to establish, terminate or design the plan. The other is administrative expenses, which can be paid from plan assets as long as they are reasonable. Those expenses include fees and costs for things like amending the plan or conducting nondiscrimination testing. ERISA leaves it up to plan fiduciaries to demonstrate prudence when determining how to allocate expenses.

## Consult With Your Advisor

It's a good idea to consult with your Mariner Wealth Advisors Retirement Plan Solutions team if you have questions related to helping make sure your retirement plans comply with all of the regulations. And, for a helpful resource guide on common mistakes that are made and how to fix them, consider reviewing the 401(k) Plan Fix-It Guide by the IRS.

Sources:

[1] "Retirement Topics – Hardship distributions," irs.gov. https://bit.ly/2OP3lkP

[2] "Retirement Topics – Contributions," irs.gov. https://bit.ly/2KZZcK1

"5 Things Plan Sponsors (Still) Screw Up," National Association of Plan Advisors. https://bit.ly/2OGG5pj

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