

# F&B

FARMER & BETTS

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## *Farmer & Betts Newsletter – Fall 2018*

*Farmer & Betts* is a fee based, third party pension administration firm. We specialize in quality plan administration with local service at a reasonable cost. We do not provide investment or insurance services.

Our company consistently focuses on the quality and value of our service, and we are grateful for the many Advisors and Accountants who have entrusted us with their clients



### ■ *Notice Delivery Due Dates*

**30 Days Prior to entry –**

Summary Plan Description, Deferral Election, Beneficiary designation

11/01/18 – SIMPLE plan termination

12/01/18 – 2018 Safe Harbor, 404(a)(5) participant fee disclosures and QDIA

01/31/19 – 1099R Distribution reporting

03/15/19 – Excess deferral refunds

04/01/19 – Required Minimum Distribution

07/29/19 – Summary of Material Modifications

### ■ *Qualified Business Income (QBI) §199A Deduction*

Owners of smaller S-Corps and other pass-through entities (Professional Service Corp other than Architects/Engineers) have a new opportunity to deduct up to 20% of income before taxes. In order to take full advantage of this deduction they must have taxable income below \$315,000 (\$157,500 if Single). A Retirement Plan contribution could help. Here is an illustration of the effect of a contribution large enough to get the full 20%:

<b>Making \$415,000</b>		<b>With \$100k contribution</b>	
Wages	\$55,000	Wages	\$55,000
Pass-Through	360,000	Pass-Through	260,000*
Total	415,000	Total	315,000
Less 20% Deduction	0	Less 20% Deduction	52,000
Tax Due	\$96,629	Tax Due	\$51,669

### ■ *Regulatory Update*

On August 31st the White House issued an Executive Order to make it easier for small business to offer retirement plans. The Treasury was directed to review current withdrawal rules to allow savings to remain in tax deferred accounts by spreading out the RMD past age 70 ½. The DOL was directed to review current regulations to allow open MEPS (Multiple Employer Plans), and thereby make retirement plan more affordable to small employers through economies of scale. In less than a month the DOL responded with their review and proposals to the OMB. These are not yet public. Once they are there will likely be a 60-day comment period. Lastly, the order gave direction to reduce paperwork and notices. While Executive Orders may lack staying-power due to the limited power of the Executive Branch (think MyRA), many believe Congress will take action to pass the RESA legislation which overlaps with much of the Executive Order.

Earlier in February, Trump also widened access to hardships distributions by signing the Bipartisan Budget Act of 2018. Effective 1/1/19, dollars available for hardship distributions will broaden beyond just 401(k) deferrals to Safe Harbor, QNEC, QMAC, and 401(k) earnings. In addition, the current requirements to first take available plan loans and then hold 401(k) deferrals for 6 months will both be removed.

### ■ *Fiduciary Rule Update*

The fiduciary rule is not dead. Responsibility for a final rule has simply shifted from the DOL to the SEC. It appears that the main points will remain the same: Reasonable fees for services rendered, level compensation and ALWAYS act in the best interest of your clients and Plan participants.

### ■ *Controlled or Affiliated Service Groups*

A close relationship between two companies can mean all employees need the same retirement plan benefits. This “close relationship” isn’t simply defined by 51% common ownership by one individual. There are a multitude of ways to get there – A spouses company can likely be linked, common ownership by a handful of people, subsidiaries with parent company ownership, and Management Groups. If you think you might have any one, or a multitude of these relationships, proceed with caution. In order to continue to have a compliant Qualified Plan, you must know about any of these potential relationships, and have addressed them in the plan. This could include adding an adopting employer to your plan, it could mean having a written exclusion of one or more groups, or it could just require a prudent comparison of the benefits in separate plans. Let us help you keep the tax benefits you are working to achieve, bring any potential relationships to us and our compliance team will handle it.

### ■ *Plan ahead to maximize contributions*

In order for a self-employed person to have deferrals, they must have a signed and dated deferral election form in their plan files by the last day of the calendar year to which the deferral applies. So if I want to make deferrals for 2018, I need to decide what amount or percentage or formula those deferrals will be, and put in writing by 12/31/2018. This is true even if I don’t make the actual deposit until after year end when my tax return is ready.

We as TPA cannot decide or suggest a deferral amount for you after the year has ended.

For W-2 employees and owners, one needs to sign and date deferral election forms early enough in the year so that the employer can process the deferral amounts through payroll. Then the employer needs to deposit the amounts ASAP after each paycheck.

To maximize the amounts the owners receive into the plan, typically the first step is to maximize their personal deferrals. After year-end Farmer & Betts can do the calculations to see what kind of employer contributions can be done to supplement the deferral and hopefully get the targeted participants to their desired overall contribution.

*The information contained herein should not be acted upon without professional advice.*

### ■ *Top Investment Providers*

Numerous national investment companies have chosen to include Farmer & Betts on their preferred list of service providers. We can work with any investment company.

Examples include: *American Funds, John Hancock, Lincoln, Mass Mutual, Nationwide, One America, Principal, Transamerica and Voya.*

### ■ *ERISA Bond requirement (ERISA § 412)*

An ERISA fidelity bond is a type of insurance that protects the plan participants against losses caused by acts of fraud or dishonesty. They will sometimes be referred to as Fidelity Bond or Surety Bond. The bond must cover at least 10% of plan assets. Many Bonds renew every three or five years, so this coverage amount should either be overestimated for future growth or be protected by inflation guard. Businesses may be able to add a rider to their existing general liability insurance policy. Without a bond even small plans (under 100) are required to have independent CPA audit of their plans which generally cost 20 to 50 times as much as the bond itself. The bond is reported on form 5500, which makes it easy for the DOL, or anybody else for that matter to see that the bond is either missing or lacks the required coverage amount.

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### *Continuing Education Seminar*

In summary, plan design and compliance is our value.

Please attend one of our complimentary seminars to meet our Consultants and learn more about new opportunities in design and compliance. This event also serves as a great opportunity for you to personally invite your associates and business partners to attend. Our seminars include continuing education credits for CPAs, CFPs, EAs and Life Insurance.

An invitation is available at:

<http://www.fbpension.com/events>.