Edu4Retirement, Inc.

THE NATION'S MOST COMPREHENSIVE EDUCATION PROGRAM AT RETIREMENT

Plan Series

New Design Concept for Those with Student Loans

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The IRS recently issued a Private Letter Ruling (PLR) allowing a plan sponsor to make employer contributions to participant accounts that are repaying student loans. The policy makers have significant concern that those that are burdened with student loans are not saving towards retirement.

The PLR indicates that an employer can make non-elective contributions to the employee's 401-k account if the employee pays at least 2% of their pay towards the repayment of the student loan. This contribution is in lieu of a matching the contribution that the employer would have made if the employee had made an elective contribution. The employer may contribute up to 5% of the employee's compensation.

If the employee elected to participate in the program, but does not make at least the 2% of pay as a repayment and the employee instead makes an elective (401(k)) contribution, the employer can make a "true-up" contribution to match according to the current plan design.

The program must be entirely elective. This is not a codified position but an indication of the IRS's thoughts on this issue.

About Edu4Retirement, Inc.

For the individual, Edu4Retirement, Inc. specializes in providing retirement education and advice to our clients along with appropriate investment products to assist in mitigating retirement risk.

For the business, Edu4Retirement, Inc. specializes in plan design, investment selection and monitoring and fiduciary risk mitigation for retirement plans.

Michael Callahan and Steve Tillona are available for any questions that may arise. You may them at:

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Please think of us when it comes to retirement plans and retirement planning. We appreciate your business and your referrals!