Advanced 401(k) Planning and Strategies

Presented by
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Advanced 401(k) Planning and Strategies

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Wait, aren’t you a social media guy? #Confused

Yes...but before I was spencerXsmith.com, I was Spencer X Smith, CRPS, AIF, CBC
- Chartered Retirement Plans Specialist
- Accredited Investment Fiduciary
- Cash Balance Consultant
Wait, aren’t you a social media guy?

And I conducted 3,000+ in-person 401(k)-related meetings between 2008-2015.

Yep, that’s a LOT of driving.

What did I learn after ALL those meetings?

I needed to do yoga. A LOT

*Not me
3 common concerns with plan sponsors

1.) Failed testing
2.) Investment selection
3.) Systems and documentation

But first, the numbers
### IRS Indexed Limits for 2017

<table>
<thead>
<tr>
<th>Item</th>
<th>IRC Reference</th>
<th>2017 Limit</th>
<th>2018 Limit</th>
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<tbody>
<tr>
<td>401(k) and 403(b) Employee Deferral Limit(^1)</td>
<td>402(g)(1)</td>
<td>$18,000</td>
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<tr>
<td>457 Employee Deferral Limit</td>
<td>457(e)(15)</td>
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<tr>
<td>Catch-up Contribution(^2)</td>
<td>414(v)(2)(B)(i)</td>
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<tr>
<td>Defined Contribution Dollar Limit</td>
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<tr>
<td>Defined Benefit Dollar Limit</td>
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<td>Compensation Limit(^3)</td>
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<td>Highly Compensated Employee Income Limit(^4)</td>
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<td>Key Employee Officer</td>
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<tr>
<td>Social Security Taxable Wage Base</td>
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<td>$128,400(^5)</td>
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**Advanced Idea #1**

**Failed Testing**

**READ: IMPORTANT PEOPLE GET MAD WHEN THEY GET MONEY BACK**
Two ways to fix:
1.) YOU GIVE THEM MONEY TO “BUY THEM OUT”
2.) EMPLOYEES DEFER MORE

“Buy Them Out” aka Safe Harbor – 3 options

1.) BASIC MATCH
2.) ENHANCED MATCH
3.) NO NELECTIVE CONTRIBUTION
Option 1: Basic match

A 100% match on an eligible employee’s deferral up to 3% of annual compensation and a 50% match on the next 2% of the employee’s deferrals.

Option 2: Enhanced match

A matching contribution that’s at least as generous as the basic match at any level of an employee’s deferral. Example: eligible employees may receive a 100% match on deferrals up to 4% of their annual compensation.
Option 3: Nonelective contribution

A contribution for all eligible employees - including employees who don’t defer compensation - that equals a minimum of 3% of their annual compensation.

Important - Vesting

Safe harbor contributions must always be 100% vested. These contributions are not returned to the employer upon termination of employment.
Spence, is there an option that WON'T cost my firm more money?

I'm so glad you asked!

The other way to stop failing your tests

*AND ACTUALLY HELP YOUR STAFF SUCCESSFULLY RETIRE SOomeday
Quiz: which of these is most important, when it comes to having enough money to retire, using your 401(k) plan?

1. PLAN COSTS
2. ASSET ALLOCATION
3. INVESTMENT PERFORMANCE
4. PARTICIPANT SAVINGS
Same question – same answer.

Also me. Age 5+

More employee savings = less failed tests
*AND ACTUALLY HELP YOUR STAFF SUCCESSFULLY RETIRE SOMEDAY
How? After 3,000 meetings, I realized it’s not about if they can AFFORD to save. It’s if they TRUST the vehicle and the associated strategy.

Education begets the desired behavior.

CONTINUAL EDUCATION IN Plain English helps your staff understand the benefit you’re offering them.
Advanced Idea #2 – Investment Selection

It's not as complicated as most people make it

Investment Policy Statement (IPS)

Do you have one? If not, make sure you adhere to it. If not, think twice about writing one.
Investment Policy Statement (IPS)

IF YOU DO HAVE ONE, MAKE SURE IT CONTAINS RANGES AND BROAD MEASURES, AND NOT ABSOLUTES
What kind of funds should you offer?

*This is way too many

QDIA – Qualified Default Investment Alternative

HELP AVOID PARTICIPANT CONFUSION, PREVENTS THEM FROM SWITCHING BETWEEN FUNDS, AND HELPS COVER YOU AS A FIDUCIARY
Two major options:

1. Target-Date Funds (Age-Based)
2. Balanced Funds (Risk-Based)

Advanced Idea #3 – Systems and Documentation

IF IT’S NOT WRITTEN DOWN, IT DIDN’T HAPPEN
Use the Fiduciary Audit Checklist included with the presentation

IT'S SIMPLE, BUT ALSO COMPREHENSIVE
Thank you!
Questions and enhancements

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sxs@spencerXsmith.com
Your opinion matters!

Please take a moment now to complete the evaluation.

Thank You!