

INSIGHTS

Plan Year Ending Soon? Here's What to Know



The last quarter of a plan year signals essential tasks and deadlines you must consider to effectively administer your retirement plan.

Decisions and actions you take now can play a role in the long-term success of your plan in the months and years to come. Keeping your retirement plan partners, such as Definiti, informed of your questions and desired plan changes ensures compliance, administrative currency, and, in some cases, enhances your plan participants' financial well-being.

Here are some of the top things we discuss with retirement plan sponsors at the close of a plan year. How many of these are you thinking about?

Take Advantage of SECURE 2.0 Tax Credits

If your retirement plan is new this year, you will likely qualify for a tax credit due to a SECURE 2.0 provision.

Our January 2023 Insights article, [At Long Last, SECURE 2.0 Is Here](#), explains it in this way:

Before 2023, employers with fewer than 100 employees that adopted a new retirement plan could qualify for an annual tax credit for up to three years equal to the lesser of 50% of administrative start-up costs or \$5,000.

Effective in 2023, SECURE 2.0 increases the percentage from 50% to 100% for employers with 50 or fewer employees up to \$5,000.

SECURE 2.0 also provides a new tax credit for the contributions employers make to a new retirement plan (other than a defined benefit plan). The new tax credit will be a set percentage of the amount contributed by the employer as an employer contribution (as opposed to salary deferrals) for employees with annual compensation of \$100,000 or less, up to a per-employee cap of \$1,000. (See the [January Insights article's Plan Year/Percentage chart](#).)

Additionally, some employers may receive a tax credit of \$500 per year for three years starting in the year in which automatic enrollment provisions are effective — either as a new provision in an existing plan or in a newly adopted plan. (Our 2020 article, [How Will the SECURE Act Impact You?](#), and the IRS's [start-up costs tax credit article](#) cover this topic.)

The takeaway: Remember to work with your CPA to incorporate any tax-related benefits into your tax reporting and filing.

Understand How Ownership Changes and M&A Activity Impact Your Plan

Definiti is seeing significant ownership changes and merger and acquisition (M&A) activity this year. While these transactions require significant effort outside of the retirement benefit, remember their impact on the retirement plan.

When company ownership changes hands, part of a business is sold or one is acquired, it affects the retirement benefit and typically requires a decision to maintain, merge or terminate a plan. Working through the related details and reviewing and updating plan documents takes time and expertise.

Our [What Happens to the Retirement Plan During an M&A?](#) article outlines three common types of transaction scenarios that impact plan participants and require plan document revisions (i.e., asset sale, stock purchase and merger).

The takeaway: If your business is buying another company or merging with one, make sure Definiti and your other plan partners are in the loop so we can leverage our M&A expertise and help you avoid any unwanted compliance surprises.

Remember That Year-End Bonuses Impact Your Retirement Plan

The last quarter of the year is when many companies plan for and pay out bonuses. In a retirement plan, bonuses may or may not be part of an employee's total compensation, and IRS contribution limits apply. (Refer to this [Annual Compensation and Contribution Limits chart](#) for details.)

Additionally, your plan document may state if participants can make a deferral to the retirement plan from their bonuses. Do you know if this is allowed in your plan?

The takeaway: If this is your first year working with Definiti or you have questions about how bonuses impact participant contributions or the plan document, contact your Retirement Plan Consultant (RPC).

Allow Enough Time for Plan Enhancements

This is the time of year retirement plan sponsors should consider new features that will take effect on January 1. This includes [changing the company match](#) and adding features like automatic enrollment or escalation of participants' deferral rates over time. You may also be thinking about adding a Roth 401(k) ([this article](#) explains a Roth's many benefits) or changing to a [safe harbor plan](#) design to reduce administrative complexity and ensure your plan passes annual nondiscrimination tests.

The takeaway: Consult with Definiti to ensure you have enough time to implement plan enhancements and communicate changes to employees and participants.

Review Plan Census Data

Accurate and complete "census data" — employee compensation and contribution information and certain plan sponsor-focused data — helps in compliance testing. Though a review of census data is usually done in late January (or after the close of your plan year if you're on another schedule), we're including it in our year-end to-do list because of its importance.

Without accurate and timely employee data, your retirement plan providers can't deliver administrative, fiduciary and recordkeeping services effectively. Incorrect or missing census data makes critical tasks impossible — for example, knowing when employees are eligible for the plan and which are highly compensated.

The takeaway: Mark time on your late January/early February calendar to give your census data to Definiti, and read [Retirement Plan Census Data – It's Foundational and Fundamental](#) for our recommended best practices.

Remember Other Year-End Tasks

Between September 1 and December 31, there are at least a dozen annual compliance and notice requirements plan sponsors must take care of. These include, by September 15, filing employer (other than C Corp) tax returns and depositing employer contributions (the extended deadline) — and, by December 1, amending your retirement plan to elect safe harbor status using a nonelective contribution for the current plan year. (This December deadline means it's time to let Definiti know now if you're interested in a safe harbor plan.)

The takeaway: Chances are you have your compliance tasks and notices scheduled already and know what's coming up. But if you don't, download our [annual compliance calendar](#) to keep handy.

We're Here to Help

No one likes to be caught off guard and miss a critical deadline in retirement plan administration. If this article reminded you of something you need to discuss with your Definiti RPC, let them know.

If Definiti isn't your third-party administrator, let's start the conversation. Call us at 1-888-912-3653 or [email sales@definiti.com](mailto:sales@definiti.com). Our commitment to being your trusted retirement plan partner extends beyond year-end — we're here to support you throughout the year.

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