

Small plan start-ups will get their big break in 2020!

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Did you know that small business owners consistently report that cost is a significant impediment to the adoption of a retirement plan for their employees? Well, the recently passed SECURE Act has a provision that could really make a difference! The SECURE Act dramatically expands the tax credit offered – it can potentially cover *more than half* of the costs of a new small business retirement plan.

If you have been considering ways to attract and retain quality team members, but the size of your business means that the cost of providing benefits has been prohibitive, this year is the year that you can do what you've really wanted for your team:

Under SECURE, the amount of the tax credit is now capped at \$250 times the number of NHCEs* eligible to participate in the plan up to a \$5,000 annual maximum (but never less than \$500). As with prior law, the credit is still limited to 50% of the start-up costs. Additionally, if the new plan automatically enrolls employees into the plan on a uniform basis (but at no minimum rate), the employer will get an additional annual credit for start-up costs of \$500 per year. *And all of this became effective January 1, 2020.* Effective for new plans beginning now!

Here is an example of how this would look: take a small business employer with 15 NHCEs that wants to establish a Safe Harbor 401(k) plan for her employees and is willing to do automatic enrollment. The provider quotes an out-of-pocket cost to the employer of \$1,500 per year. In that case, the tax credit available to this employer will be \$750 plus \$500 or \$1,250, which is almost the entire cost to the employer!

The first thing you'll want to do is speak with an Advisor. Look for someone who specializes in 401k plans so that they can help you bring together an all-star team of recordkeeper and administrator, as well as plan out an education campaign to help you and your employees get the most out of this vitally important benefit.

May 2020 be the year that everyone is given the opportunity to save for their retirement in a 401k plan!

*In 2020, NHCEs are defined as employees who earned less than \$125k in 2019, are non-owners (less than 5% interest in the company), and not directly related to an owner (spouse, parents, children, grandchildren of an owner).

Angela D. Mansfield, AIF® is an advisor with nearly 15 years of experience in the 401k field, both on the recordkeeper and advisor sides of the business. Angela provides education to participants, HR Directors, and business owners to help them articulate their priorities and ensure they are getting the most out of their 401k plan. She believes that everyone can utilize their 401k plan to have the future they dream about for themselves. Please note her new email address above.