

www.businessweek.com/smallbiz/tips/archives/2009/10/what_sponsors_a.html

What Sponsors and Advisors Should Know About Retirement Plans

Posted by: on October 28, 2009

According to a 2007 U.S. Labor Dept. survey, 68% of small business owners feel unprepared for retirement and just 42% maintain a retirement plan. Here are four frequently overlooked tips about retirement plans for plan sponsors and their advisors.

1. Understand the "controlled group" opportunity. If you or your spouse own and/or control several businesses, the IRS may require you to treat all of your businesses as one for certain retirement plan purposes. The controlled-group rules can affect retirement plan selection and operation and could mean higher deductible contributions.
2. Determine your contribution budget. How much do you want—or can afford—to contribute and deduct for yourself and your employees on an annual basis? The answer to that question will help you narrow your retirement plan choices. For example, if your goal is to contribute more than \$49,000, you will need to consider a defined benefit plan; a lesser figure can be served by such options as a simplified employee pension (SEP), savings incentive match plan for employees (SIMPLE) IRA, or 401(k)/profit sharing plan.
3. Shop around. Fees for establishing and maintaining plans vary enormously. While new legislation is pending in Congress that should help make plan fees more transparent and easier to compare, you can still evaluate how much you are paying for such things as plan investments and record keeping. In fact, it is your fiduciary duty to do so.
4. Keep good records. There are numerous document and notice requirements associated with maintaining a retirement plan. If you are ever audited, good records can save the day. Having an investment policy statement and documenting your activities for reviewing and evaluating your plan investments are good ways to start.