For Your

Benefit

CMC Pension Professionals
Your Retirement Experts

Fall 2013

2014 Limits

Max. deferral amount	$17,500
Max. catch-up for those over age 50	$5,500
Defined contribution limit	$52,000
Max. comp. amount considered	$260,000
Defined benefit max. annual benefit	$210,000
Highly compensated employee	$115,000

Happy Thanksgiving from CMC

Do Your Clients Have ERISA Bonds?

Any plan that is covered by Title I of ERISA (generally businesses that employ any non-owners) must have a surety bond. The required amount of the bond is for 10% of the assets or 100% of the non-qualified assets if larger. Non-qualified assets are generally those assets not held at a brokerage account or at a bank or insurance company.

However, we recommend that your clients purchase a bond for close to 100% of the assets. Why? It is unfortunate, but there are too many examples where funds have been stolen or invested in what turns out to be a Ponzi scheme and the plan sponsor is liable and faces potential law suits by participants. It can be someone at the company systematically removing funds and falsifying reports, or a larger Ponzi scheme (remember Madoff). The bond is a cheap insurance policy against such losses or lawsuits.

Now's the Time to Upgrade a Client's Plan

Does your client want a larger tax deduction? It's not magic—we can easily do that. Have your client call their client manager so we can explain the flexibility that is built into the existing plan. Or, it may also be time to look at adding a defined benefit or cash balance plan to the mix. It is not uncommon to get $150,000—$200,000 in contributions for owners while keeping employee costs at around 8% of their pay. In other words, the cost for the employees may be a fraction of the tax savings. If you think that will appeal to your clients, have them give us a call ***now*** so that we can get that deduction for 2013. These changes ***must be implemented*** (prepared and signed) before the end of the fiscal year.

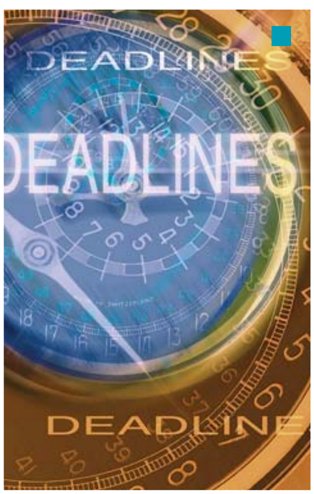
Fund Earlier This Year

Make sure your clients make their pension contribution early so the money can begin working for them. They may not be aware that the earlier contributions are put into the plan, the sooner they start tax-preferred accumulation. Many of your clients may have more than enough cash to fund the plan and yet wait until near the deadline to make the contribution. They are leaving money on the table, or more precisely, giving it to IRS.

And, make sure they know to let us know when they do fund the plan. That will make us very happy. ■

Upcoming Deadlines

Safe harbor notices: Please make sure your clients understand that the annual safe harbor notices must be delivered to employees **by the end of November.** And, if your client wants to make any changes to their plans, we need to implement the change now for next year. Very few changes are allowed in safe harbor plans once the year starts. Just a reminder.



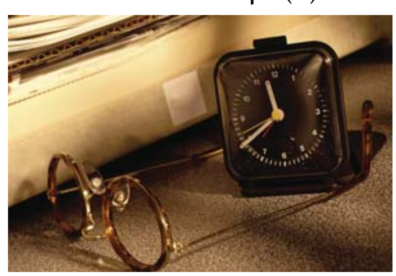
Cash balance plans: If your client has a cash balance plan and a business tax ID ends in "3" or "8," they must restate their plan and submit it to IRS by 1/31/2014. We will contact clients in November to complete this process.

Defined contribution plans: Next year, profit sharing and 401(k) plans will have to be restated. We expect IRS to open that program in the second quarter of 2014. We will let our clients know about this so they can be ready. ■

Looking Back 2007—2011

No question that 2008 took a financial toll on both retirement portfolios and on our view of the markets. However, recent research by the Employee Benefit Research Institute (EBRI) shows that those who stayed the course have done okay.

- The average 401(k) account balance fell 34.8 percent in 2008, then rose from 2009 to 2011. The average account balance increased at a compound annual average growth rate of 5.4 percent over the 2007–2011 period.
- The median 401(k) account balance increased at a compound annual average growth rate of 11.5 percent over the period. Thus, half of the people had an overall rate of return of about 11.5 percent from 2007 through 2011, despite the downturn.



Moral of the story: It wasn't as bad as we feared for those who did not have to take any distributions. ■

Around CMC

Michael Bain, ASA, MSPA, attended the American Society of Pension Professionals and Actuaries annual conference in Washington, D.C. in October.

Cathy Green, CPC ERPA held a continuing education seminar for Cal-CPA. She spoke on plan design and showed case studies. She also spoke before a dental association about retirement plans and their benefits.