



What is the Deadline to Implement a Retirement Plan for the Current Year?

Facts

Returning from sunny days at the beach, I've begun discussing my company's year-end financial projections with my accountant. Those conversations have been about as fun as a sunburn; it looks like my company and I are looking at a hefty tax bill. My accountant has suggested on more than one occasion that I consider implementing a retirement plan to help minimize my tax burden, but I've just never gotten around to it. Now, I'm kicking myself.

Question

At this point in the year, has my procrastination gotten the best of me or are there still options available for a retirement plan for this year?

Answer

Take a moment and enjoy a deep breath of salty ocean air; you've still got time to rollout a plan for this year. That said, there are several deadlines approaching that may be relevant, depending on the type of plan you're looking to establish. Let's take a quick look at the various deadlines for the different plan types, so you can begin game-planning how (and when) to move forward.

Quick cautionary moment: Just as you'd plan for a trip to the beach well before the day you actually head out, it's important that you plan ahead and consider the steps necessary to meet each of the deadlines below. While DWC can prepare legal plan documents for signature with a quick turnaround, some of the other steps involved require a bit more lead time. It's not uncommon for recordkeepers to require four weeks to set-up a plan on their system (requiring the executed plan document before they can do so). In addition, you'll want to factor in the time and process for participant education and enrollment as you schedule any of the items below.

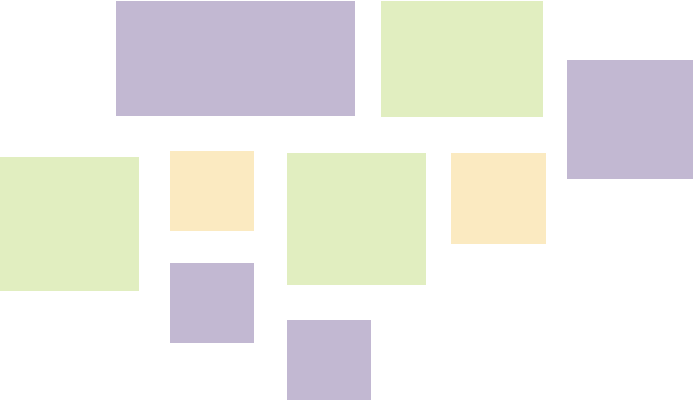
Start-Up Safe Harbor Plan: October 1st

If your company does not currently sponsor a retirement plan and you're interested in implementing a [safe harbor 401\(k\) plan](#) for this calendar year, this plan needs to be in place no later than October 1st.

What does this really mean? If you're looking to set-up a plan with promised employer contributions that allows you (as an owner and highly compensated employee) to defer as much as you'd like for the year (within the [IRS limits](#)), it's time to get moving. While October 1st might feel far away given current heat and humidity levels, the weeks will pass quickly if you are working to establish a plan, including adopting a legal plan document, contracting with a recordkeeper/investment platform, and coordinating participant enrollments.

Terminating a SIMPLE Plan to Allow for 401(k) Plan Rollout Next Year: November 1st

Let's say you already sponsor a SIMPLE plan but are looking to [upgrade to a 401\(k\) plan](#) next year. If that's the case, the time to dive in is much sooner than you might think. Participants need to receive notice by November 1st if the SIMPLE plan is terminating as of December 31st.



While the design and implementation of the new 401(k) plan may be on your mind this Fall, it's important for coordination on the SIMPLE termination and participant notices to begin in early October to ensure you're able to meet the November 1st deadline. Don't let the excitement of the new plan keep you from tying up loose ends on the existing plan!

Adding Safe Harbor Provisions for Next Year: December 1st

While not a deadline for those without a plan, we've thrown this in for good measure. If you already sponsor a 401(k) plan and are looking to implement a safe harbor provision for next year, this is the date you need to keep in mind. Safe harbor plans require a notice to participants before the beginning of the plan year to explain the new features for the upcoming year. The rules say that the notice must be provided within a "reasonable" timeframe before the year starts, but that generally means 30 to 90 days ahead of time (between October 1 and December 1).

Keep in mind, though, that implementation of a safe harbor provision requires a plan document amendment as well as the preparation of the participant notice. In order to meet that December 1st deadline, you will want to get moving on this change before Thanksgiving to ensure ample time for the rollout.

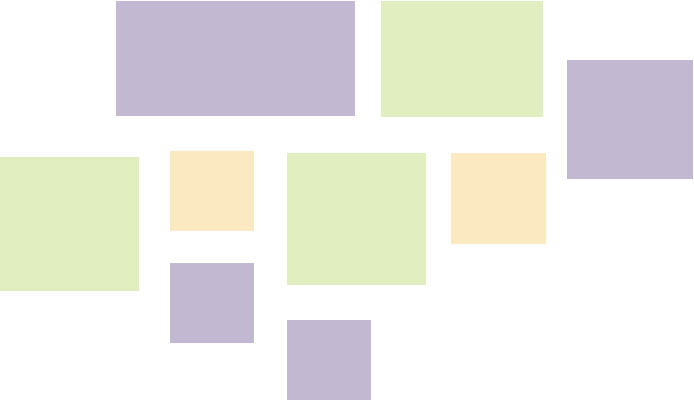
Setting Up Profit Sharing or Cash Balance Plans for the Current Year: December 31st

For any Last-Minute Lucys, you've got plenty of company. Even though the items noted below carry a December 31st deadline, we would suggest that starting sooner is better than later due to the year-end rush, holidays, etc. When it comes to establishing new plans and tweaking existing ones, this is one of the biggest deadlines of the year. Here are some of the most "popular" year-end items:

- Establishment of a profit-sharing plan for the current year
- Establishment of a defined benefit/cash balance plan for the current year
- Adoption of discretionary plan amendments for current year, which may include changes to your plan's non-discrimination [testing methods](#) or how you [allocate profit sharing contributions](#)
- Adoption of certain plan amendments (for the upcoming year) that are only allowed to be implemented before the year starts to avoid any accidental reductions in existing benefits

You may have noticed that we didn't mention 401(k) plans here. That is because plan documents must be signed before any deferrals can be withheld. While it is unusual for a pay date to fall on December 31st, it is not out of the question. If you are in that situation, it may be possible to setup a new 401(k) plan in time to defer out of that last day of the year paycheck.

As we mentioned, year-end is a particularly busy time for plan changes and set-up. During this time of year, recordkeepers may need four to six weeks' time to set up the plan on their system due to the volume. And while we don't want to discourage advanced planning, we're in your corner. We know that sometimes time gets away from us, or there are other business priorities that limit your ability to act as soon as you might like.



If that occurs, all is not lost! If you find yourself approaching year-end and still hoping to have a plan for the current year, there are ways to make it happen. If it is already passed your selected recordkeeper's cut-off to get the plan setup by year-end, you can establish a bank account in the name of the plan to hold participant contributions in the interim and then transfer those amounts to the recordkeeper later once everything is up and running. It's an extra step for sure, but it can be an effective work-around if needed at the last minute.

What's Your Takeaway Here?

On the upside, you've still got time and options! On the other hand, those options start to dwindle and the flexibility starts to reduce as early as October 1st. Your best bet for this year? Start exploring the plan design that's best for your company now to ensure you're not limited by any year-end deadlines or restrictions.

Look, we're not the type of folks who want to stress you out. In fact, we want you to be able to soak up the last weeks of summer with a clear head and good vibes knowing the retirement plan piece is taken care of for you. The DWC team is available to assist you with plan design and implementation to help get your new plan off the ground. If you're ready to get started, please reach out to us [here](#) so, you can get back to living your best life on the beach.



Want to get articles just like this one delivered to your inbox weekly?

[Subscribe](#) to receive regular updates from the **DWC 401(k) Q&A blog**.

Helpful insights without the junk, delivered on your schedule.