



# 5 COMMON 401(K) MISTAKES MADE BY THE EMPLOYER

1

## EMPLOYERS REMITTING PAYROLL IN AN UNTIMELY MANNER

If employers fail to remit payroll on time to their recordkeeper, this also becomes a problem for plan participants. An employer may have to use a voluntary correction program, and in this case, might be liable to fees pending on the degree of error.<sup>1</sup>



A solution to this common problem is to set up your payroll and recordkeeper integration with your preferred payroll provider; this allows for automation between service providers. Another solution is hiring a 3(16) fiduciary, which is a type of provider that assumes fiduciary responsibility of plan administration.<sup>2</sup>

2

## NOT ABIDING BY THE PLAN DOCUMENT

Non-compliant procedures in your plan document are typically reviewed by recordkeepers, but they don't catch everything.



A suggestion to avoid plan document mistakes is simple plan design. Adding a few key plan features to enhance the plan is good, but don't overcomplicate it. Also, be sure to review the eligible requirements, which determines when an employee is eligible to join the plan. Lastly, double check the types of eligible compensation the plan can receive. These are two often overlooked and very important plan document definitions.

3

## MONITORING PLAN FEES

Perform a quality benchmark for your retirement plan fees! Don't fall into a lawsuit just because you couldn't take time to benchmark and assess the reasonableness of plan fees. Remember cheaper isn't always better; determine the services needed and a reasonable cost. Additionally, benchmark your retirement plan fees every year, especially if the plan is growing quickly.



1 Pottichen, Aaron. "The Top 5 Mistakes Made by 401(k) Plan Sponsors." InvestmentNews - The Investing News Source for Financial Advisers, Investment News, 5 July 2017, [www.investmentnews.com/article/20170705/BLOG09/170709992/the-top-5-mistakes-made-by-401-k-plansponsors](http://www.investmentnews.com/article/20170705/BLOG09/170709992/the-top-5-mistakes-made-by-401-k-plansponsors).

2 Pottichen, Aaron. "The Top 5 Mistakes Made by 401(k) Plan Sponsors." InvestmentNews - The Investing News Source for Financial Advisers, Investment News, 5 July 2017, [www.investmentnews.com/article/20170705/BLOG09/170709992/the-top-5-mistakes-made-by-401-k-plansponsors](http://www.investmentnews.com/article/20170705/BLOG09/170709992/the-top-5-mistakes-made-by-401-k-plansponsors).

3 "Assessing the Quality of Employee Benefit Plan Audits." Department of Labor, Department of Labor, May 2015, [www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/publications/assessing-the-quality-of-employee-benefit-plan-audits-report.pdf](http://www.dol.gov/sites/default/files/ebsa/about-ebsa/our-activities/resource-center/publications/assessing-the-quality-of-employee-benefit-plan-audits-report.pdf).

4 "Limited Scope Audits of Employee Benefit Plans." AICPA, AICPA Employee Benefit Plan Audit Quality Center, 2016, [www.aicpa.org/InterestAreas/EmployeeBenefitPlanAuditQuality/Resources/PlanAdvisories/DownloadableDocuments/Limited-Scope-Plan](http://www.aicpa.org/InterestAreas/EmployeeBenefitPlanAuditQuality/Resources/PlanAdvisories/DownloadableDocuments/Limited-Scope-Plan)

## 4

### AUDITING

As we know, there are areas of life where it's best to take the quality option over cheaper option.



Selecting a quality auditor is one of those! It's best to go with a CPA firm that performs many qualified plan audits, as the Internal Revenue Service concluded their delinquency audit report findings.<sup>3</sup>

## 5

### DOCUMENTATION

When you are a retirement plan sponsor, documentation needs to be omnipresent throughout your plans lifecycle. When you make decisions to add, change, or take away from the plan, you must document those changes. This helps the committee to remember why certain decisions were made and why they were in the best interest of the plan's participants and beneficiaries. As a plan fiduciary, you must always act for the exclusive benefit of the plan's participants. Additionally, if your plan is ever audited by the DOL or IRS, they will ask for your detailed notes to understand the reasonableness of the decision to determine its prudent nature. Solutions to improve documentation is to take notes during meetings and record them. Overkill with note taking will only improve the documentation process.



Have additional questions? Contact us to open a conversation.

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