



PENSIONS LTD™

*Retirement Plan Experience
with an Emphasis on Service*

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President*



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WE'RE GLAD YOU ASKED!

Can each partner in a partnership maintain a separate retirement plan, i.e. SEP, or even a 401(k) with or without a profit sharing component? **NO**, only an employer can maintain and contribute to a plan on behalf of its employees. For retirement plan purposes, each partner or member of an LLC taxed as a partnership is an employee of the partnership. The partnership deducts plan contributions for employees other than the partners as a business expense on Line 18 of Form 1065 AND reports plan contributions for partners in Box 13 using Code R on each partner's Schedule K-1 (refer to your tax advisor).

WHO AM I?

I am your constant companion. I am your greatest helper of heaviest burden. I will push you onward or drag you down to failure. I complete at your command. Half the things I do you might just as well turn over to me, and I will be able to do them quickly and correctly.

I am easily managed—you must merely be firm with me. Show me exactly how you want something done, and after a few lessons, I will do it automatically. I am the servant of all great individuals and, alas, of all failures, as well. Those who are great, I have made great. Those who are failures, I have made failures.

I am not a machine, though I work with all the precision of a machine plus the intelligence of a human. You may run me for a profit or run me for ruin—it makes no difference to me.

Take me, train me, be firm with me, and I will place the world at your feet. Be easy with me, and I will destroy you.

Who am I?

(Answer is somewhere in this newsletter)

THE BANKRUPTCY OF SOCIAL SECURITY?

Yes, we've all heard that the Social Security system is headed for bankruptcy and/or benefits will be greatly reduced due to the massive numbers of baby boomers—the first of which hit retirement age in 2011. Even my own SS statement from 2010 tells me that I am expected to receive only 73% of my stated monthly benefit at my full retirement age of 66. Such doom and gloom. But wait? I hear that the “echo boomers” will save me. Or maybe not? Who are they, you ask?

“Echo boomers” are those people born between 1977 and 2008. They account for 125 million Americans and **OUTNUMBER THE 117 MILLION BABY BOOMERS**. Of course, some (many?) of them could be out of work, but hopefully they will all be working shortly. Because of the “echo boomers”, the U.S. Bureau of Labor Statistics estimates the nation's gross domestic product (GDP) should grow by 2.5% to 3% a year during the next 30 years. The Congressional Budget Office forecasts that Social Security spending will actually decrease as a percentage of GDP during the next seven decades, because the “echo boomers” will be paying into the system. The only country expected to see higher growth rates in the population aged 15 to 64 between now and 2050 is India (according to United Nations' projections).



IN-PLAN ROTH CONVERSIONS

On September 27, 2010, President Obama signed The Small Business Jobs and Credit Act of 2010 that primarily provides tax cuts and better access to credit for small businesses. It also introduced to participants of 401(k) and 403(b) plans the ability to convert existing non-Roth accounts into Roth accounts within the same plan.

In-plan conversions are only permitted in plans that 1) are such plans as referenced above, 2) already have a Roth account feature, and 3) are amended to allow in-plan conversions. As an example, participants of a 401(k) plan that allows Roth accounts could convert their existing 401(k) pre-tax account to an after-tax Roth account within the same plan. The premature distribution tax is waived on such conversions; however, taxes must be paid on the amount converted in the year converted.

2012 PLAN LIMITS

401(k)/403(b) Salary Deferral	\$17,000
Over Age 50 Catch Up Salary Deferral	\$5,000
Compensation Limit (Beginning of Year).....	\$250,000
Social Security Integration Level (TWB)	\$110,100
Highly Compensated Threshold	\$115,000
Top Heavy Key Employee Threshold	\$165,000
Defined Benefit ANNUAL Benefit Limit	\$200,000
Defined Contribution Limit Per Participant (End of Year)	\$50,000

DO YOU HAVE A DEFINED BENEFIT PLAN? IF SO, THERE IS AN APRIL IRS DEADLINE . . .

...to restate the plan document. This is the final deadline so I'll be contacting each one of you personally to review your plan. This process was last completed in 2004 and is required generally every six years. Every "open" DB plan must be "redone" as we are updating the plans to legislation that has been passed *SINCE 2004*. In other words, we are picking up from where we last left off. Frozen, inactive, even plans wanting to terminate, are affected.



A QUICK REFRESHER ON REQUIRED MINIMUM DISTRIBUTIONS

For retirement owners who reach age 70.5, the **deadline** for taking the RMD for that year is April 1st of the following year. However, the RMD, for owners could be taken in the year they turn age 70.5. For owners, the RMDs cannot be delayed until official retirement. Only non-owners can delay their RMDs until they officially retire, i.e. separate from employment. RMDs cannot be rolled over to IRAs; they must be taxable income to the recipient. Lastly, qualified plan RMDs must be withdrawn from the qualified plan account and cannot be aggregated with IRAs and distributed from such.

WHAT SHOULD YOU DO IF YOU RECEIVE AN IRS CP 213 NOTICE?

Don't panic, but send us a copy of the Notice, and we will follow up with you. These Notices are generated if the tax Form 5500 is filed incomplete or is filed late. The reality, however, is that they oftentimes are generated **WHEN NOTHING IS WRONG!** So again, just let us know and don't automatically think that something was done incorrectly.

EFFECTIVE SOON: NEW FEE DISCLOSURE REGULATIONS

After multiple delays and extensions, the Service Provider Fee Disclosure (408(b)(2)) Regulations are effective on or before July 1, 2012. The Participant Fee Disclosure (404(a)) Regulations are generally effective August 30, 2012 (60 days after the 408(b)(2)) Regulations. The Regulations are similar in that both of these cover all company-sponsored retirement plans with a purpose of disclosing fees. But they are also different. The Service Provider Fee Disclosure's purpose is to disclose fees that various service providers charge in servicing the plan to the Plan Sponsor. The purpose of the Participant Fee Disclosure is to provide plan expenses, i.e. investment-related, to the participants.

Regarding the Service Provider Fee Disclosures: PENSIONS LTD would only need to prepare these Disclosures for those plans whose participants pay a pro-rata share of the administrative fees. If the business pays PENSIONS LTD directly, these new Disclosures are not applicable.

Regarding the Participant Fee Disclosures: PENSIONS LTD will be satisfying the requirements of this regulation by expanding the currently-provided quarterly periodic benefit statements. We are required to prepare these statements for those plans that offer participants the right to (investment) direct their own accounts. The first Disclosure to reflect the new requirements will be included in the third quarterly statement, which is due no later than August 15, 2012.

ROLLOVERS AS BUSINESS START-UPS

The IRS initiated a compliance project into ROBS (Rollovers as Business Start-Ups). ROBS are arrangements in which prospective business owners use their retirement funds to pay for new business start-up costs. ROBS "plans", while not technically considered an abusive tax avoidance transaction, are considered extremely questionable because they may very well benefit only one individual—the person who rolls over his/her existing retirement funds to the ROBS "plan" within a tax-free transaction. Areas where a ROBS plan could run into trouble are 1) benefiting only one individual, 2) incorrect valuation of plan assets, and/or 3) issues adversely affecting other participant/employees.

Check out our
new website at
WWW.PENSIONS LTD.COM



ABOUT US

PENSIONS LTD™ was established in 1988 by Donna Neuhauser, APA. Donna has been designing, administering, and providing all types of support to retirement plans for solo businesses as well as to small and mid-sized companies. Although its client base is nationwide, the firm still retains its personal service reputation.

Donna started the company following many years experience in the financial services industry, including several years as a qualified pension plan administrator for a San Diego County-based pension firm and, prior to that, as administrative manager for a large southern California-based investment advisory firm.

Ms. Neuhauser holds the prestigious Accredited Pension Administrator (APA) designation from the National Institute of Pension Administrators (NIPA) in which she is a long-time member. She also holds professional membership in the San Diego Chapter of the Western Pension and Benefits Conference, and earned her degree from Widner University, Wilmington, Delaware.

In 1988, she joined Rotary International, and in 1994/95, served as president of the Escondido East Rotary Club. She also served as assistant district governor, and chair of Rotary's Youth Leadership Awards Program. Donna is a multiple Paul Harris Fellow and in 2008 was honored for her 20 years of perfect attendance. She continues to serve her Rotary club as a board member and Foundation chair.

Donna is also a member of the Escondido Downtown Business Association and Escondido Chamber of Commerce. In 2011 she was elected to serve on the First United Methodist Church Foundation Board of Trustees.

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