



IRS Nationwide Tax Forum | 2023

Operating a Retirement Plan for the Do-it-Yourself Small Business Owner

Learn How to...

- Choose the right plan
- Simplify your day-to-day operations
- Determine how & when employees become participants
- Properly treat part-time employees
- Correctly make contributions and distributions
- Work with that expert helping you with the plan

Why Offer a Retirement Plan

- Help employees save for retirement
- Help the business owner secure their own retirement
- Attract and retain quality employees
- Tax benefits
 - [IRS.gov/SaversCredit](https://www.irs.gov/SaversCredit)
 - [IRS.gov/NewPlanCredit](https://www.irs.gov/NewPlanCredit)

Who Can Adopt a Retirement Plan

There is a plan for every type of business

- Sole proprietors
- Partnerships
- C Corporation
- S Corporation
- LLC
- LLP



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Pick a Plan

Choosing the Right Plan

- Fit the plan to your business and goals
- Learn about the types of plans and their key features
 - IRS Pub 3998, Choosing a Retirement Solution for Your Small Business (English & Spanish)
 - [IRS.gov/PlanResources](https://www.irs.gov/PlanResources)
 - [IRSVideos.gov](https://www.irs.gov/IRSVideos)

Many Factors to Consider

- Type of business, number of employees, turnover
- Business profits and employee earnings
- Fit the plan to your personal and business goals
- How much time and effort do you want to put into operating a retirement plan
- Are you going to hire a plan administrator



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IRA-based Plans

- Payroll deduction IRA
- SEP IRA
- SIMPLE IRA
- SARSEP

IRA-based Plans

- Participation in IRA-based plans
- Distributions from the plan
- Are there any filing requirements?
- What about updating the plan documents?
- Type/size of employer who might choose an IRA-based plan
- Pros & cons

‘Qualified’ Retirement Plans

- Profit-sharing plan
- 401(k) plan
- Defined benefit plan

‘Qualified’ Retirement Plans

- Participation in the plan
- Distributions from the plan
- Loans and hardship withdrawals
- Vesting
- Filing requirements
- Keeping the plan document up-to-date

Profit-Sharing Plans

- Filing requirements
- Type/size of employer who might choose a profit-sharing plan
- Pros & cons

401(k) Plans

- Must cover all employees age 21 and over who work 1,000 hours
- Employees defer a portion of salary
- Deferrals can be pre-tax or Roth
- Employer and matching contributions

401(k) Plans

- ADP/ACP 401(k) plan testing
- Safe Harbor 401(k) plan
- Automatic Enrollment 401(k) plan

401(k) Plans

- Filing requirements
- Type/size of employer who might choose a 401(k) plan
- Pros & cons

Defined Benefit Plans

- Must cover all employees age 21 and over who work at least 1,000 hours
- Yearly funding requirement set by actuary
- Provides a definite benefit at retirement
- Builds assets towards a monthly retirement income

Defined Benefit Plans

- Filing requirements
- Type/size and age of employer who might choose a defined benefit plan
- Pros & cons



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DIY

If you don't hire an expert...

- Know your plan, both the adoption agreement and the actual plan document
- Learn what's in the plan document and adoption agreement
- Know when the plan document must be updated
- Know when you have to run testing on your plan
- Know when employees become participants

Simplify Your Plan's Operations

- Make good choices when completing your adoption agreement
- Why compensation choice is so important
 - W-2 wages
 - What if you exclude overtime or bonuses or ...
- Tips for working with clients that have retirement plans

Get all Employees into the Plan Timely

- When can you exclude employees from participating in your plan?
- Part-time employees are not a class of employees that can be excluded from the plan
- Know your plan document
 - Definition of employee
 - Eligibility requirements



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Working with a Plan Expert

If you hire a plan expert...

- They can help identify the right plan for you
- Make the best choices on the adoption agreement
- Help you determine when an employee enters the plan
- Calculate vesting and make proper distributions
- Keep your plan updated
- They know what's in your plan and what isn't
- And...

If you hire a plan expert...

- Know exactly what they're going to do for you
 - “I thought my 3rd party was doing that”
- Know exactly what they need from you to do their job
- Full employee census on every employee
 - New hires, rehires, DOB, DOH, DOT
- Keep your plan updated
- Calculate vesting and make proper distributions

Resources

- [IRS.gov/retirement](https://www.irs.gov/retirement)
- [IRS.gov/PlanResources](https://www.irs.gov/PlanResources)
- [IRS.gov/PlanChecklists](https://www.irs.gov/PlanChecklists)
- [IRS.gov/5500corner](https://www.irs.gov/5500corner)
- [IRS.gov/EPnewsletter](https://www.irs.gov/EPnewsletter)
- [IRSvideos.gov](https://www.irs.gov/IRSvideos.gov)