FiduciaryAdvisors LLC

Retirement Times

NEWS AND UPDATES FOR RETIREMENT PLAN SPONSORS AND FIDUCIARIES

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Beware of the IRS and DOL: Four Red Flags They Seek on Form 5500

The Form 5500 is an ERISA requirement for retirement plans to report and disclose operating procedures. Advisors use this to confirm that plans are managed according to ERISA standards. The form also allows individuals access to information, protecting the rights and benefits of the plan participants and beneficiaries covered under the plan.

Make sure you are compliant. Be aware of red flags that the IRS and DOL look for on Form 5500 filings:

1. **Not making participant deferral remittances "as soon as administratively possible" is considered a fiduciary breach** and can make the plan subject to penalties and potentially disqualification. Delinquent remittances are considered to be loans of plan assets to the sponsoring company.

2. **An ERISA fidelity bond (not to be confused with fiduciary insurance) is a requirement.** This bond protects participant assets from being mishandled, and every person who may handle plan assets or deferrals must be covered.

3. **Loans in default** for participants not continuing loan repayments, or loans that are 90 days in arrears, **are a fiduciary breach** that can make the plan subject to penalties and disqualification.

4. **Corrective distributions,** return of excess deferrals and excess contributions, along with any gains attributed **must be distributed in a timely manner** (typically two and a half months after the plan year ends). In some cases these fiduciary breaches can be self-corrected if done within the same plan year in which they occurred, and may be considered additional breaches if they extend beyond the current plan year.

This is a partial, non-exhaustive list of common Form 5500 red flags. If you're concerned about ERISA compliance, contact your advisor sooner, rather than later.

For more background on the Form 5500, visit the Society for Human Resource Management online. See "Regulatory 5500: What is Form 5500, and where are instructions for completing it?"

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Mutual funds are sold by prospectus only. Before investing, investors should carefully consider the investment objectives, risks, charges and expenses of a mutual fund. The fund prospectus provides this and other important information. Please contact your representative or the Company to obtain a prospectus. Please read the prospectus carefully before investing or sending money.

The target date is the approximate date when investors plan on withdrawing their money. Generally, the asset allocation of each fund will change on an annual basis with the asset allocation becoming more conservative was the fund nears target retirement date. The principal value of the funds is not guaranteed at any time including at and after the target date.

To remove yourself from this list, or to add a colleague, please email us at support@fiduciaryadvisors.biz.

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