

THE **ACCOUNTANT'S** GUIDE TO SMALL BUSINESS RETIREMENT COMPLIANCE

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WEALTHSTACK

Americans accumulate the vast majority of their retirement funds through employer-sponsored defined contribution plans, such as 401(k) accounts. However, more than 40% of full-time employees do not have access to one.

As a response to this issue, a number of states have passed retirement mandates requiring businesses to offer their employees a retirement savings plan. While well-intended and necessary to protect workers' financial futures, these mandates can have a significant impact on small businesses, which often lack the resources to comply and the options needed to maximize their investment into retirement benefits.

As a business accountant, you probably know this better than anyone. We certainly do. As a leading digital solution for retirement plans, Wealth Stack has worked hard to explore the costs and benefits of state retirement mandates for small business owners. It's been a crucial part in the research and development of our SIMPLE IRA plans and financial education application.

We've also worked to ensure that we're up to date on the latest news regarding retirement requirements at both state and federal levels. With regular retirement plan compliance audits conducted by the Department of Labor (DOL) and the Internal Revenue Service (IRS) on the rise in recent years, we wanted to pull together all of our resources, research and knowledge to help create this exclusive guide just for you.



CHAPTER 1 ”

ERISA & COMPLIANCE AUDITS: WHAT YOU NEED TO KNOW

While we're mainly going to focus this guide on state and federal retirement requirements regarding mandatory plans (and the compliance issues surrounding those new mandates), we also wanted to take a minute to talk about general compliance issues for those of you who currently manage a retirement plan for a business.

WHAT IS ERISA?


ERISA stands for the Employee Retirement Income Security Act. According to the Department of Labor's website, ERISA is...

“...a federal law that sets minimum standards for most voluntarily established retirement and health plans in private industry to provide protection for individuals in these plans.”

This law was passed in 1974 to essentially protect employees' pension plans. The law sets forth requirements for how pension plans must be run, including how they must be funded and how employees can receive benefits from the plan. ERISA also gives employees the right to sue if they believe their pension plan has been mismanaged. While ERISA has been successful in protecting employees' retirement savings, it has also been criticized for making it difficult for companies to offer pension plans. As a result, many companies have stopped offering pension plans altogether, which is, honestly, where we come in. But, more on that later.

WHAT TO KNOW ABOUT ERISA VIOLATIONS

The DOL's Employee Benefits Security Administration (EBSA) is in charge of ensuring compliance with ERISA. There aren't many recent statistics surrounding compliance rules and audits when it comes to ERISA. However, statistics from 2014 showed that in approximately three out of four plans audited by EBSA, an ERISA violation was detected relating to the interpretation of the plan document or plan operation. As an accountant, this can quickly turn into your biggest nightmare.



Approximately three out of four plans audited by ERISA were found to be in violation in 2014. The main reason why? Misinterpretation of the plan document or plan operation.

WHAT TYPES OF BENEFIT PLANS ARE SUBJECT TO ERISA?

It's not just pension plans that are subject to ERISA and potential compliance issues. Yes, both defined benefit and defined contribution pension plans are subject to ERISA. However, Health Reimbursement Accounts, Flexible Spending Accounts, and health insurance, vacation benefits, and training programs offered by your business clients to their employees are also subject to ERISA as well.

WHAT ARE THE REPORTING & DISCLOSURE REQUIREMENTS?

As mentioned above, there is definitely value in what ERISA was designed to do. However, it's made it increasingly more costly, difficult, and confusing for small businesses to offer retirement pension plans. How so?

First and foremost, there are numerous different federal reporting and employee disclosure requirements associated with maintaining a benefit plan that is subject to ERISA. This includes the infamous Form 5500 along with numerous others depending on the complexity and features of the plan. While, again, we at Wealth Stack handle this as part of our Wealth Stack for Accountants SIMPLE IRA packages, the DOL has also created their Reporting and Disclosure Guide for Employee Benefit Plans that can be useful for you.

[Click here](#) to download that guide.

HOW TO AVOID ERISA VIOLATIONS

To avoid issues with ERISA violations, you should be reviewing documentation frequently to ensure compliance. It's worth mentioning that, because this is the plan administrator's job, if you opt to participate in Wealth Stack for Accountants, a program designed to make offering retirement plans hassle-free and affordable, we take care of all plan administration for you and your clients.

However, if you're going to be managing this yourself, we suggest that you:

STAY UP TO DATE ON DOCUMENTATION

Periodically check the most recent plan documentation. You'll want to ensure that you have updated adoption agreements for master, prototype, and volume-submitter plans if they apply.



KEEP RECORDS OF SERVICE AGREEMENTS

Keep records of service agreements with any third-party providers so that you can easily track & manage them.



CHECK PLAN AMENDMENTS

Make sure you are also up to date and aware of new plan amendments. These are often required by changes to ERISA, so you'll want to be well-informed of any changes (like the federal ones coming due to the Secure Act 2.0) that could affect your current compliance.

ORGANIZE ALL IRS DOCUMENTS

Make sure you have records of all documents required by and for the IRS. Here, we're talking about determination letters and advisory letters, which are applied for on a five-year and six-year remedial amendment cycle respectively.

DOCUMENTS TO GATHER IN PREPARATION FOR AN AUDIT

Whether you're going to be audited or not, it's best to always ensure you've got the documents mentioned above organized and stored safely away. However, here are a few more documents that we suggest gathering in preparation for an audit or as part of a semi-annual checkup on your small business plans:

- ☐ Executed plan document
- ☐ Current IRS determination or opinion letter for the executed plan document
- ☐ Executed amendments to the plan document
- ☐ Current and historical summary plan descriptions and summaries of material modifications
- ☐ Executed board minutes as they pertain to the plan
- ☐ Trust and recordkeeping agreements with plan custodian and recordkeeper
- ☐ Copies of prior years' Form 5500 filed with the DOL
- ☐ Copies of prior years' audited financial statements – after the plan's first audit, if applicable
- ☐ Copy of the plan's fidelity bond insurance
- ☐ Any other agreements or significant correspondence related to the plan

CHAPTER 2: THE CHANGES AHEAD



HOW THE SECURE ACT CHANGES RETIREMENT FOR SMALL BUSINESSES

Now that we've gone over standard compliance issues, it's time to dig into the fresher, newer and (yes, unfortunately) equally confusing state and federal retirement requirements. These changes have been largely brought about by the passing of the Secure Act as a law on December 20th, 2019.

"With [the] passage of this bill, the House made significant progress in fixing our nation's retirement crisis and helping workers of all ages save for their futures," Rep. Richard E. Neal (D-Massachusetts) said in a statement after the bill sailed through the House in May of 2019.



While there is a strong case in favor of this law and the subsequent changes that have impacted millions of workers around the country, it's been confusing to keep up, particularly for accountants and plan administrators. We have had to watch as each state implements their own measures. And that doesn't include the changes and compliance issues that might arise if the Secure Act 2.0 passes in the Senate later this year.

What are some of the changes made from the original 2019 law to the new Secure Act 2.0? What's new is some of the specifics surrounding the requirements. For example, with the new 401(k) retirement bill, employers would have to not only enroll eligible workers in a 401(k) plan, but they'd have to enroll them at a rate of 3% of their salary. That would increase yearly until the employee is contributing up to 10% of their salary.

And, with this new federal legislation, businesses with 10 or fewer employees would be excluded from the mandate and, what appears to be, any penalties that businesses might incur from not complying (currently, most states require that businesses with five or more employees offer retirement plans). The exclusion also applies to businesses that are less than three years old.



If the Secure Act 2.0 passes in the Senate, businesses with 10 or fewer employees would be excluded from the mandate. They could possibly, however, still be subject to state regulations.

STATES HAVE ALREADY IMPLEMENTED RETIREMENT REQUIREMENTS

Let's get back to individual states. Why? Well, as of the writing of this ebook, talk about what might change federally is still speculative. However, as of the spring of 2022, more than 30 states have considered or begun to implement state-mandated retirement plan legislation. Of those 30 states, 13 have currently signed those programs into law. This includes programs such as:

CalSavers in California



Illinois Secure Choice in Illinois

MYCTSAVINGS in Connecticut



OregonSaves in Oregon

For California business owners, deadlines are quickly approaching to comply with CalSavers. Any qualifying business owner with more than five employees is required to register their employees for CalSavers or another qualifying retirement plan by June 30th, 2022 or face up to \$750 in fines per employee.



STAYING AHEAD OF THE CURVE: ” UPCOMING CHANGES TO COMPLIANCE

First and foremost, we suggest that you start paying attention to both federal news regarding the Secure Act 2.0 and any state-level mandates that are coming about, depending on the state in which your clients reside.

If there is currently a state mandate in place, follow that as it is active and the federal mandate has not yet been approved or implemented. If there is no state mandate in place, keep an eye out on the upcoming vote for the Secure Act 2.0.

Outside of simply staying informed, what can you do to prepare for the upcoming changes to compliance? We suggest double-checking all documents related to ERISA compliance like usual. Then, we suggest looking at your options.

looking at **YOUR OPTIONS**

If your business clients don't currently offer retirement plans to their employees...

...we suggest you start informing them about the benefits right now. Let them know that there are potential state and national changes coming soon (or already in place, if they are located in California, for example). And, let them know that you recommend starting the process of setting up a plan now. With Wealth Stack, we've made this as simple as possible for you, offering the ability to use our all-digital solution to set up a SIMPLE IRA that meets current compliance regulations in as quickly as 10 minutes. If they're resistant to this, get in touch with us and we'll happily send over emails and information that you can send them to highlight the incredible value of offering retirement benefits to their employees (\$16,500 in tax credits and higher rates of employee engagement & retention are just two to name a couple).



If your business clients do offer retirement plans to their employees...

...review their current plan and consider switching over to a SIMPLE IRA. We've done the research and, for businesses with under 100 employees, a SIMPLE IRA is the easiest, most cost-effective option. And, when you switch your clients over to a Wealth Stack IRA, you're not only allowed to offer them incredible added value through our IRA app, but you're also allowed to hand off other perks, too. For example, when you sign them up with Wealth Stack, there are no employer fees for up to six months (pro tip: the more clients you add, the bigger the perk you're able to pass on to them...but more on that later).



Are you thinking, “But states offer free state-run options. Why pay for a plan?” In regards to the state-level requirements and the free state-run plans they offer, we’ve also done the research, and here is our one piece of advice:

WHILE IT MIGHT CURRENTLY BE TEMPTING TO GO WITH THE FREE, STATE-RUN OPTION (ASSUMING YOUR STATE OFFERS ONE), IT PAYS TO LOOK INTO HOW THE ENTIRE RETIREMENT PACKAGE IS GOING TO TRANSLATE INTO INCREASED EMPLOYEE ENGAGEMENT, IMPROVED TALENT RETENTION, MORE TAX CREDITS, AND REDUCED REGULATORY ISSUES.

UP NEXT: How to Help Small Business Owners Choose the Right Retirement Plan



HOW TO HELP SMALL BUSINESS OWNERS CHOOSE THE RIGHT RETIREMENT PLAN

LOOK FOR SOMETHING SIMPLE

Yep, we're talking about SIMPLE IRAs here. We've invested hours and hours of research into the best retirement plan options for small business owners with fewer than 100 employees, and all of our research has pointed us towards the idea that SIMPLE IRAs are, well, the simplest option. Don't have time to break it down for them? That's okay, we've done it for you.

Here's why a Wealth Stack IRA is the simplest option:

When you and your business clients sign up for a SIMPLE IRA via our platform, you get access to our exclusive app. Within the app, you'll find over 100+ hours of financial education videos about topics ranging from basic budgeting tips to suggestions on which stocks to invest in.

There are NO FILING REQUIREMENTS for employers. Outside of our library of financial videos and other premium features, the fact that SIMPLE IRAs don't have annual filing requirements is what makes them the simplest option around for busy business owners and their equally busy accountants.

Small business owners are required to notify their employees when they sign them up for a retirement plan. Why? They have to give them the opportunity to make a salary deferral election. However, with a Wealth Stack SIMPLE IRA, we take care of that for you! You (or the business owner) just have to give us some basic information, sign a form or two, and then we'll handle the rest.

SIMPLE IRAs offer more investment options. This means that business owners are able to give their employees the luxury of choice. They get to invest in any of the assets of the financial institution where the account is held, and that kind of choice and flexibility helps increase employee satisfaction.

SPELL OUT THE BENEFITS

Spell out the benefits of a SIMPLE IRA for your clients

While ensuring that the plan meets compliance requirements is key, it also helps to talk to your clients about the benefits of implementing a retirement plan for their employees. Namely, the Retirement Plans Startup Costs Tax Credit allows eligible employers to claim a tax credit of up to \$15,000 (\$5,000 yearly for three years) for the “ordinary and necessary costs” of starting a SEP, SIMPLE IRA or another qualified plan, such as a 401(k).

*NOTE: At Wealth Stack, we've recently added this tax deduction assistance to our packages.

Make it easy on yourself

You're the accountant. It's your responsibility to offer high-quality solutions and products to your business clients. However, that doesn't mean that you can't opt for the easiest, most affordable solution that makes it a whole lot easier for yourself. Wealth Stack for Accountants is that option.

We have designed our services with accountants in mind, including the integrations we've implemented such as Quickbooks that allows you to streamline the entire management process. If you're looking for a way to help your business clients stay compliant, reduce compliance issues, and attract & retain top talent, Wealth Stack is the way.

GET TO KNOW WEALTHSTACK

an all-digital retirement solution
for accountants

We've talked a lot about compliance and, naturally, a little bit about ourselves in the process. But, now that you've made it this far, we wanted to formally introduce ourselves.

We're Wealth Stack, the simplest digital solution for retirement, built specifically for accountants who work with small businesses with under 100 employees. We are also an all veteran-owned financial platform founded by a group of West Point graduates.

Our all-in-one platform makes it easy for business owners to set up and manage corporate retirement plans that meet federal and state retirement regulations. We also provide access to financial education resources via our engaging app so their employees can make the most of their benefits and build long-term wealth for themselves and communities across America.

our mission

Our Founder & CEO Andrew Glaze, CFA, is a former investment banker and hedge fund manager. Throughout his career, he's managed over \$1 billion in investments and is excited about the possibility of helping you and your clients succeed.



At Wealth Stack, we believe that America was built by business owners of all backgrounds eager to achieve the American Dream. We also believe that the country thrives when its people thrive, and that giving employees access to the financial products and education they need to invest wisely in their future is key to a prosperous future for all.

With the recent passing of the Secure Act 2.0 in the House of Representatives, which would require all business owners to offer retirement benefits to all eligible employees, succeeding as a small business owner is becoming increasingly more difficult. Nationwide mandates are coming that force business owners to offer retirement either through a private service or through the government.

On the other hand, study after study shows that workers are not only not able to save for their future, but that they're unsure how to. Just take a look at the statistics...

The average working household has virtually no retirement savings.

[\(source\)](#)

75% of low-income workers and half of middle-income workers have no dedicated retirement assets. Furthermore, 7 out of 10 Latinos in the study reported that they had no access to a workplace retirement plan.

[\(source\)](#)

Only four in 10 businesses with less than 100 employees offer retirement benefits.

[\(source\)](#)

At Wealth Stack, we aim to be able to cater to both business owners and their employees, offering easy-to-implement & affordable retirement solutions for business owners and high-quality financial education & resources for their employees.

our solution

Our all-in-one digital platform that makes it easy for business owners and their accountants to set up and manage corporate retirement plans that meet state and federal requirements in as quickly as 10 minutes. More than that, though, we provide access to financial education resources so employees can make the most of their benefits. With Wealth Stack, businesses are able to offer their employees a well-rounded benefits package that helps them plan for a secure future. They do this all through a cutting-edge app that was designed by the developers of Acorns.

the benefits

SEAMLESS PAYROLL INTEGRATION

Accountants working with one of our integration partners can enjoy the ease of a largely-automated IRA plan. We've made it simple to securely sync employee data and process deductions.

AFFORDABLE PRICES

There are no transaction fees & our plans are affordably priced to be accessible for most businesses across America. Monthly plans start at \$49 + \$7 per participating employee.

ACCOUNTANT REWARDS

As a Wealth Stack partner, receive cash for your firm and discounts to pass along to clients. No need to choose one or the other. You add business clients to our platform, you give and get rewards, then repeat.

RELATIONSHIP MANAGER FOR YOUR ACCOUNT

Most of all, we help you help your clients. Wealth Stack has a team of professionals and experts standing by to assist you and your clients when you need it.

NO EMPLOYER FEES FOR YOUR OWN PLAN

For your accounting firm, there are no employer fees for the first six months. Open a new SIMPLE IRA for your firm or transfer your existing plan and pay no employer fees for six months.

THANK YOU



WEALTHSTACK

Ready to let us help you simplify the process of setting up compliant retirement plans for your clients? Let us help you grow your accounting firm. Together.

**SCHEDULE A FREE DEMO TO
BECOME A WEALTH STACK PARTNER TODAY!**