

1<sup>st</sup> Quarter, 2001

## Inside This Issue:

- ⇒ Minimum Distribution Rule Changes
- ⇒ Electronic Update
- ⇒ We've Moved
- ⇒ Electronic Update

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# Your Qualified Plan:

Updates, News, and Ideas

## ***IRS Liberalizes Distribution Requirements***

The IRS surprised many by the great simplification of the "minimum distribution rules" affecting all retirement plans, including IRAs.

The specific changes allow the use of a single simplified distribution table. This table is to be used in practically every circumstance, the notable exception being when the spouse is over 10 years younger than the Participant.

The IRS also liberalized the determination date for post death distributions. Before, the beneficiary designation in place the beginning of required distributions or in place upon the death of the participant was key.

Now, the designated beneficiary for post death distributions is determined as of the end of the calendar year following the Participant's death.

This allows significant flexibility to accommodate beneficiaries "disclaiming"; and the new rules ensure that there will be at least some distribution period remaining when the Participant dies, even when there is no designated beneficiary. So, income taxation on the remaining

benefits will not have to occur in a single taxable year.

The "5 year" rule is now never optimal for delaying taxability.

Importantly, Benefit Planning is incorporating the "model amendment" into the GUST restatement. If you wish to implement the new rules immediately, please contact the office.

## **Small Plan Audit Requirements**

The DOL has instituted new rules that could greatly impact small qualified retirement plans.

Before, plans with less than 100 participants were exempt from audit.

Now, for Plan Years beginning April 17, 2001 and after, a small plan must either 1) have assets that are SEC registered (or otherwise "qualifying"); or 2) increase the fidelity bond to the extent plan assets are not "qualifying"; or 3) be audited.

Given the ease of meeting either of the first two options, most small plans will continue to be exempt from the audit requirement.

## We've Moved

As you know from the postcard sent, we've grown into taking the whole 9th floor of our new building. We didn't move far, just next door, but the views are nicer and efficiencies are being achieved through improved workflow. Our new address is:

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## Electronic Update

- **Benefit Planning has a new web address** (the "old" address still works). Now you can find us at [www.BenefitPlanning.LA](http://www.BenefitPlanning.LA)

- **The IRS is significantly favoring electronic** delivery of required notices to Participants. So, if you have an internal network that is broadly available, cumbersome paper deliver of notices can be eliminated in favor of an electronic document.

Examples that will be important soon: *Notice to Participants* of the Submission of the GUST restatement to the IRS; and the new *Summary Plan Description* for the GUST Restatement.

You will be given an opportunity to choose either paper and/or electronic versions of these documents when we produce them for you.

- **Electronic 401(k) communication is expanding.** Remember, Benefit Planning passes on expense savings from your firm's electronic communication with us. Payroll information really should be done exclusively electronically to keep costs down. Common forms and templates can be downloaded, common requests emailed -- all gaining efficiency. Now, "electronic enrollment" is feasible, so that your employees can avoid the requirement of choosing funds prior to making their payroll election. Let us know if you would like to explore any enhancements available to your firm.

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ADDRESS CORRECTION REQUESTED