BENEFIT PLANNING INC.

an American Benefit Resources company

Your Qualified Plan:

Updates, News, and Ideas

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Inside This Issue:

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Reducing Plan Expense: New Rules Give Plan Sponsors New Options

Cost Savings for 2004! Under a recent series of government rulings, you, the plan sponsor, now have *new flexibility* in determining what expenses you pay for relative to what the plan participants pay for.

Under these new rulings, the following five common plan-related expenses may be charged to the participant:

* Processing of a divorce related QDRO (Qualified Domestic Relations Order);

* Processing and payment of a hardship withdrawal;

* Calculating benefits payable under various ("what if") plan distribution options;

* Process normal benefit distributions or loans; and

* Reasonable administrative expenses related to the accounts of former employees (even if the accounts of current employees are not charged).

In order to *take advantage* of this new potential cost saving, the plan sponsor must:

1) Ensure that the retirement plan document permits the expenses to be chargedto the plan; (ours does!)

2) Draft a plan amendment or separate written policy to state what expenses will be charged to individual participant's accounts; and

3) Notify retirement plan participants that these fees will be charged to their accounts. This participant notification must take the form of a new Summary Plan Description, or Summary of Material Modification.

Benefit Planning Can Help!
If you are interested in this cost saving flexibility, please call your Benefit Planning Administrator or Consultant for a detailed explanation of how these savings may apply to you and your retirement plan.

Apprehension: How Worried Should You Be About Your Fiduciary Duties?

Fiduciary duty – a Plan Sponsor's responsibility to operate a retirement plan prudently and for the sole benefit of the Plan's beneficiaries – can sometimes become a neglected aspect of Plan operation.

However, with the recent down stock market and an increasingly litigious environment, a little attention to fiduciary duties – particularly *documented* attention – can help limit your liability, and help your Plan run better to boot.

Perhaps the simplest and most effective way to demonstrate your fiduciary responsibility is to establish a committee to oversee the operation of the Plan. By meeting regularly, reviewing the plan's operation, and documenting the reasoning for decisions made, Plan Sponsors can show that they're taking prudent measures to protect their participants.

Many Sponsors also find it helpful to produce a written Investment Policy Statement. By doing so, you not only provide protection from liability, you may also find that your Plan investments perform better. This step is often undertaken jointly with your Plan's investment broker.

Finally, communicate frequently with your employees, and listen to their concerns. By doing so, you not only show that you have a "prudent and systematic" plan for the investments, you may again find that your Plan investments perform better.

If you would like to learn more about fiduciary duties, and how you can satisfy them, please contact your Consultant.

Tax Credit for New Retirement Plans!

If you established your retirement Plan in 2002 or later, you may be eligible for a tax credit.

Among *many* other changes to retirement plans, the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) encourages small business owners to establish a retirement plan for their employees. Employers may receive a tax credit of up to $500 for establishing a new plan that covers at least one rank-and-file employee. Plus, a $500 credit may be available for the next two years as well.

As with all government regulations, some conditions apply, of course, and you should consult your tax advisor to confirm your eligibility. If you'd like more information, please call us.

Online Access: 24/7 Access to Plan Resources

While we are always happy to talk to you, we understand that your schedule doesn't always permit you to call us during our business hours. Some Sponsors also simply prefer to conduct their business online, and we're happy to accommodate them.

Our web site, www.BenPlanInc.com, is available at any hour of the day or night, and we've posted many of the most commonly used forms for your easy access. Whether you need an occasional form for a hardship distribution, or want a complete census template for your year-end reporting to us, you can find many useful documents there (including back issues of this Newsletter). We've also posted background information about our firm and a "Contact Us" page for your questions, comments or concerns. Please feel welcome to log on any time.

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