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401(k) ADVISORS

LIFT RETIREMENT  
**News and Information  
for Employers**

**Q3** | 2020



# 5 Ways Total Rewards Can Help Recruit Top Talent

A good total rewards program helps you attract and retain the best possible talent for your organization. Add a great workplace culture and environment and you could be on your way to becoming an employer of choice among job-seekers.

## WHAT IS A TOTAL REWARDS PROGRAM?

A total rewards program is adopted by a company that provides benefits for its employees including:

1. **Compensation**—base pay, overtime, bonuses
2. **Work/life balance**—flexible scheduling, remote work opportunities
3. **Benefits**—health, life, dental and vision insurance, retirement plan, and voluntary benefits such as wellness
4. **Recognition**—feedback regarding performance and areas needing improvement, employee recognition programs
5. **Growth and development**—performance development planning, career paths, internal and external training, tuition reimbursement

However, the playing field has changed with the COVID-19 pandemic.

We've gone from record employment to record unemployment. That should make it easier to recruit top talent, right? It might—but only if your benefits are up to the challenge.

First, confirm that your pay and benefits are competitive. Compensation is the first step in preparing a comprehensive total rewards program; however, it is not the whole picture when it comes to winning those all-star candidates.

According to Deloitte's 2019 Global Human Capital Trends survey, perks and pay aren't what matter most to many employees—it's **personalized rewards that help meet their needs**. Furthermore, only 11% of companies in Deloitte's survey felt their rewards strategy was highly aligned with their organization's goals.<sup>1</sup>

What does this mean for you? You might have some gaps to fill between the components of your total rewards program and employee needs. And since the survey was conducted in 2019 before COVID-19 appeared, your future employees', and thus applicants', needs are evolving.

## WHAT ARE THE KEY BENEFITS TO CONSIDER?

Here are five important benefits you might want to include in your total rewards program during this work from home (WFH) new normal:<sup>2</sup>

### 1. Comprehensive healthcare.

Your applicant needs to know they will be covered if they become ill. Without this type of coverage, they could face financial hardship in covering expenses. In addition, short and long-term disability benefits could kick in if the illness persists.

### 2. Paid sick leave

According to a survey, 70% of employees in private industry took at least one day of sick leave for 1 year or more. However, many may not be taking full advantage of the recovery of their health. Seven days of sick leave is not always adequate for recovery.

### 3. Remote work options

WFH has become a key component of social distancing. It can help reduce the stress and improve the attitude towards work.

### 4. Mental health support

WFH may be a double-edged sword. It can accompany the stress of an Employee Assistance Program (EAP) and the stress of the pandemic.

### 5. Financial wellness

Financial wellness is a key component of total rewards. Employees with their financial health in check are better able to prepare for the future, including loan debt, the pandemic, and other uncertainties. It's an important part of a total rewards program, such as high-quality benefits and job. Applicants are looking for such a program.

<sup>1</sup> Deloitte Insights, "Employee Rewards: What Do Employees Value Most?" 2019.

<sup>2</sup> Kathryn Mayer, Human Resource Executive, "8 benefits employers should zero in on during the COVID-19 pandemic," March 24, 2020.

<sup>3</sup> U.S. Bureau of Labor Statistics, "Average number of days per year at 20 years of age," 2019.



#totalrewards  
#COVID19  
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**Want to be viewed as an employer of choice? Review your total rewards program to learn if it meets applicants' needs in today's climate. Read these 5 important benefits to include in your total rewards program.**

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**2. Paid sick leave.**

According to the Bureau of Labor Statistics, employees in private industry had an average of 7 days of sick leave for 1 year of service in 2018.<sup>3</sup> Given recent events, this may not be enough because, with the new coronavirus, recovery often takes significantly longer than 7 days. Seven days, and only after 1 year of service, may not be adequate for your new hire.

**3. Remote work.**

WFH has been encouraged—even required—because of social distancing and shelter-in-place policies to reduce the spread of COVID-19. What is your applicant's attitude toward working alone?

**4. Mental health assistance.**

WFH may be beneficial in many ways, but along with the accompanying isolation, it can be mentally exhausting. An Employee Assistance Program can help to alleviate the stress and distress caused by WFH isolation.

**5. Financial wellness program.**

Financial wellness programs seek to help employees with their #1 stressor – finances. The program can help them prepare for unexpected emergencies, student loan debt, future college savings, or retirement. With the pandemic, financial wellness has become even more important for employees facing additional challenges such as higher medical bills or the possibility of losing a job. Applicants and new hires may find it reassuring that such a program exists should they need it.

**DOES YOUR TOTAL REWARDS PROGRAM CONTAIN THESE BENEFITS?**

If there are opportunities for improvement, work with your HR and benefits teams to discuss ways to adjust benefits within the program. It will take some planning, but it could be worth the effort if it means being the employer of choice for top talent. In considering changes.

- ▶ Take a long perspective.
- ▶ Be consistent and fair.
- ▶ Adapt your total reward policies to your industry.
- ▶ Don't forget your current employees! Communicate any and all enhancements to the program to your current and future employees.

Top job seekers are not only looking for a good salary but also excellent benefits. To recruit the best, you have to be the best, and part of that is having an outstanding total rewards program.

To learn how your retirement plan compares to other similar firms, contact us to discuss a benchmarking report.

<sup>3</sup> U.S. Bureau of Labor Statistics. "Private industry workers with sick leave benefits received 8 days per year at 20 years of service," March 8, 2019.

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Footnote



Are Coronavirus-related withdrawals from retirement savings accounts a good idea? We explain the differences, pros & cons to help employees make informed decisions.

#COVID19  
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# Pros and Cons of Taking Coronavirus-Related Distributions from Retirement Savings

**THE COVID-19 PANDEMIC HAS UNDOUBTEDLY SHAKEN OUR ECONOMY TO THE CORE. MANY BUSINESSES HAVE STRUGGLED TO KEEP THEIR DOORS OPEN WHICH HAS CAUSED UNEMPLOYMENT CLAIMS TO SOAR. RECORD UNEMPLOYMENT, COUPLED WITH A U.S. SOCIETY THAT HAS AN AVERAGE HOUSEHOLD SAVINGS ACCOUNT OF ABOUT \$8,800<sup>4</sup>, HAS MANY PEOPLE LOOKING TO THEIR RETIREMENT SAVINGS AS A "PIGGY BANK" FOR NECESSARY FUNDS TO KEEP THEIR HEADS ABOVE WATER.**

Withdrawing retirement savings should be carefully considered, even in view of the loosening of restrictions around withdrawals as a result of the Coronavirus Aid, Relief, and Economic Security (CARES) Act because any withdrawal can have a multiplying impact on long-term retirement goals.

However, we are living in unknown times and if your participants need to access their retirement savings, the passage of the CARES Act makes it easier.

<sup>4</sup> Garcia, Adrian. "This is the average amount in savings accounts — how does your cash stack up?" Dec 3, 2018.

## THE CARES ACT AND NEW WAYS TO ACCESS RETIREMENT SAVINGS

The CARES Act relaxed certain provisions around withdrawals and loans from 401(k) plans due to the economic severity brought on by the pandemic. Under the CARES Act, a person who meets certain criteria and has experienced hardship can qualify for a Coronavirus-Related Distribution (CRD) from their IRAs and eligible defined contribution retirement plans, such as 401(k).

To help navigate the new changes, the Wagner Law Group, experts in ERISA and employee benefits, have established a **COVID-19 resources site** to help employers better understand the various regulations, criteria and exceptions.<sup>5</sup>

If you are considering adding these provisions, remember that amending your plan is a fiduciary decision and **should be thoughtfully considered and your actions documented**. Keep in mind that to provide for these expanded distribution and loan options, the plan needs to be formally amended; and it's best to contact your plan administrator for the required steps.

<sup>5</sup> Wagner Law Group. "COVID-19 Resource Center." April 20, 2020.

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From a high-level, CRDs from a qualified retirement plan:<sup>6</sup>

- ▶ are available to individuals who meet certain criteria.
- ▶ withdrawals are not subject to the normal 10% early penalty up to \$100,000 per person.
- ▶ unlike regular hardship withdrawals, CRDs may be repaid into the plan, or another qualified plan, within three years to avoid incurring taxes. The repayment is not subject to annual retirement plan contribution limits.
- ▶ if the individual does not recontribute the distribution within the three-year time period, taxation on the distribution can be spread over a 3-year period.

With regard to loans from qualified plans:<sup>7</sup>

- ▶ The limit on loans doubled from 50% of a participant's vested account balance (up to \$50,000) to 100% of the participant's vested account balance (up to \$100,000).
- ▶ The due date for any repayment by a qualified individual of a participant loan that would occur from the date of enactment through December 31, 2020, is delayed for up to one year.

<sup>6</sup> Wagner Law Group. "Retirement Plan Provisions of CARES Act." March 27, 2020.

<sup>7</sup> Wagner Law Group. "Retirement Plan Provisions of CARES Act." March 27, 2020.

- ▶ A qualified individual who could be eligible for these expanded loan limits and loan delays is one who could meet the same coronavirus-related criteria for withdrawals.
- ▶ The coronavirus loan provisions are temporary and are in effect for 180 days from the March 27, 2020 date of enactment.

### IF POSSIBLE, SEEK OTHER OPTIONS

Although the CARES Act makes 401(k) withdrawals and loans easier to access, participants should understand how these actions could affect the future of their retirement savings.

As general guidance, participants should consider other financial reserves before removing funds from their retirement savings. These accounts could include emergency funds, refinancing current debt, HELOCs, CDs, brokerage accounts, cash value life insurance options, personal lines of credit or potentially a loan from a family member.

### IMPORTANCE OF FINANCIAL WELLNESS

Many lessons will be learned from the COVID-19 crisis. One positive impact this pandemic may have within your workforce is the importance of financial wellness. A good program can help employees manage expenses, budget, set financial goals and priorities, while encouraging them to establish a 3 to 6 month emergency savings.

Due to COVID-19, the vast majority of the workforce has been significantly affected. With tangible experience, the silver lining is that it can lead to better budgeting, financial oversight, and hopefully inspire more people to focus on the importance of a long-term retirement savings plan.



# 4 Qualified Plan Tax Advantages for Employers

**BY CHOOSING TO OFFER YOUR EMPLOYEES A 401(K) PLAN, YOU'RE SENDING A POWERFUL MESSAGE — THAT YOU'RE INVESTED IN THEIR FUTURE AND COMMITTED TO HELPING THEM WORK TOWARDS FINANCIAL SECURITY IN THEIR RETIREMENT.**

As a business owner, you can also benefit from setting up a retirement savings plan. Not only does it provide you with the opportunity to save money for your own retirement, it also enables you to take advantage of tax savings thanks to special deductions and tax credits.

Here are four ways that a 401(k) can help you reduce taxes:

## #1 PERSONAL TAX BENEFITS

Depending on the type of plan you offer, you and your employees can save for retirement in two ways:

- ▶ **Pre-tax:** Contributing pre-tax dollars to the 401(k) plan while working reduces your current taxable income and allows you to defer paying taxes until you withdraw the money at retirement.
- ▶ **After-tax (Roth):** If you opt for a plan with a Roth feature, you and your employees can save on an after-tax basis. While it doesn't reduce your current tax bill, generally you can take the money out tax-free at retirement.<sup>8</sup> This includes your contributions, along with any investment growth.

<sup>8</sup> A Roth 401(k) offers tax deferral on any earnings in the account. Qualified withdrawals of earnings from the account are tax-free. Withdrawals of earnings prior to age 59 ½ or prior to the account being opened for 5 years, whichever is later, may result in a 10% IRS penalty tax. Limitations and restrictions may apply.

If you are considered an employee of the business, you can take advantage of these pre- or after-tax savings, too. Moreover, having a 401(k) can provide additional savings opportunities for you.

For instance, if your income exceeds the Roth limits that would prohibit you from making contributions to a Roth Individual Retirement Account or taking deductions for traditional IRA contributions, a qualified plan could eliminate these issues because contributions to a pre-tax or Roth 401(k) do not have an income ceiling.

Keep in mind that participants can save up to \$19,500 in a qualified retirement plan such as a 401(k) in 2020, per IRS limits. These contributions can be split between pre-tax and Roth deferrals — much higher than the \$6,000 IRA contribution limits. In addition, employees age 50 and older can make additional catch-up contributions of \$6,000 to a 401(k). These maximum limits exclude any employer matching or profit-sharing contributions.<sup>9</sup>

<sup>9</sup> "Retirement Topics - 401(k) and Profit-Sharing Plan Contribution Limits." Internal Revenue Service, Jan 2020.

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## #2 TAX-DEDUC

Many employers offer 401(k) contributions, and many offer employer matching contributions. These retirement plan contributions are tax-deductible (and can help with employee retention).

Plus, company contributions are a tax-deductible expense — up to \$500 per employee (and non-elective contributions are also deductible by the employer regardless of the employee's contribution to the plan).

## #3 BUSINESS TA

A qualified retirement plan can provide many tax advantages, including any plan-related expenses. For example, the cost of running the plan is a deductible business expense. Additionally, the cost of a Party Administrator or other third-party consultants you hire to help you set up the plan can potentially be deducted.

In addition, the cost of a qualified retirement plan can be a tax credit for the business owner. For example, starting a qualified retirement plan can qualify for a tax credit of up to \$500.

For 2020 and beyond, the credit is at least \$500 for small businesses with fewer than 100 employees may be eligible to pay.

▶ **\$250** for each employee who is eligible to participate

▶ **\$5,000** for larger businesses

The credit is available to

<sup>10</sup> "Summary of The Secure Act." Way



#401k #taxplanning #taxes  
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Offering a 401(k) can provide employers an opportunity to save on taxes and help employees save for the future. Here are four ways a 401(k) plan can help employers and employees save for retirement

## #2 TAX-DEDUCTIBLE EMPLOYER CONTRIBUTIONS

Many employers choose to make retirement plan matching contributions, although it isn't required. Offering an employer match can help you attract top talent, making your retirement plan more competitive and improving employee retention.

Plus, company contributions are tax-deductible as a business expense — up to certain limits, including both matching and non-elective contributions (those made directly by the employer regardless of whether or not employees contribute to the plan).

## #3 BUSINESS TAX CREDITS

A qualified retirement plan is an employee benefit. Therefore, any plan-related expenses you pay may be tax-deductible, including employer contributions and the administrative costs for running the plan. These could include fees paid to a Third Party Administrator (TPA), recordkeeper, auditor or other consultants you hire to help with your plan. All of these costs can potentially be written off.

In addition, the IRS has created tax credits to incentivize small business owners to offer 401(k) plans. Employers may claim a tax credit for some of the ordinary and necessary costs of starting a qualified plan.

For 2020 and beyond, employers may qualify for a credit of at least \$500. Additional credits may be available, and employers may be able to take the lesser of:

- ▶ **\$250** for each non-highly-compensated employee (NHCE) eligible to participate
- ▶ **\$5,000**

The credit is available for the first three plan years.<sup>10</sup>

<sup>10</sup> "Summary of The Setting Every Community Up for Retirement Enhancement Act Of 2019 (The Secure Act)." Ways and Means. Mar 2020.

Specific criteria apply, so talk to a tax professional to understand how the credit could impact your specific situation.

## #4 INCREASED TAX SAVINGS WITH PROFIT-SHARING

You can further customize your 401(k) plan by adding a profit-sharing component. Profit-sharing plans offer similar tax benefits to a traditional 401(k), but they have higher contribution limits, which allow employers to enjoy additional tax savings.

With profit-sharing plans, employers contribute to employees' retirement savings based on the company's profitability within a given year. These plans offer employers a lot of flexibility — you can choose how much you want to contribute and even skip contributions in less-profitable years.

Profit-sharing plans provide an opportunity for you and your employees to save beyond the annual limits. For instance, employees can make salary deferrals up to \$19,500 (the annual limit in 2020). However, maximum employer contributions are even higher: up to 100% of an employee's annual salary or \$57,000 per year (\$63,000 including catch-up contributions for employees age 50 and older), whichever is higher. Note, combined employer and employee contributions may not exceed the \$57,000 limit.

The tax laws can be favorable for business owners who offer a 401(k) or similar qualified retirement plan. It's a great way to help you and your employees save for the future while getting tax benefits for doing so. Now is a good time to take a closer look at the options available to your business and consider how providing a competitive benefit can help attract and retain talent, save on taxes and positively impact your bottom line.



## ABOUT PWMG 401(K) ADVISORS

### **PWMG 401(k) Advisors**

11 Foster Street, Suite 200  
Worcester, MA 01608

OFFICE: (877) 712-2263

FAX: (508) 519-0285

WEB: [www.pwmg401k.com](http://www.pwmg401k.com)

EMAIL: [info@pwmgllc.com](mailto:info@pwmgllc.com)



At PWMG 401(k) Advisors, we pride ourselves on providing cutting edge retirement plan design assistance and platform solutions that seek to improve both the participant and plan sponsor experience.

Our Retirement Plan Consulting Services are available for start-up or takeover plans. As independent consultants, we have the ability to provide you the independent, objective advice that you need to effectively run a company retirement plan. Unlike many plan consultants, we have the ability to work with virtually any retirement plan platform. In fact, we often find that we can address many of the issues with a company's plan without even changing its retirement plan provider.

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