

401(k) Rescue

Our 401(k) Fix-It Series

401(k) Rescue, the Ekon Benefits 401(k) Fix-It Series, describes the most common 401(k) mistakes as determined by the IRS. We provide explanations of common mistakes, suggested prevention techniques and recommendations on correction methods.

Does your 401(k) Plan need to be rescued?

Common Mistake #4—

Participant deferrals exceeded the limit for that year.

- Based on Internal Revenue Code Section 401(a)(30), for a plan to maintain qualified status it must ensure that the amount of elective deferrals for each participant under all plans of the same employer are not in excess of the limits stated in Section 402(g). For 2013, the Elective Deferral limit for traditional or Safe Harbor 401(k) plans was \$17,500 and the limit for SIMPLE 401(k) plans was \$12,000. Both limits are the same for 2014 and are subject to cost of living increases after every calendar year. Some 401(k) plans permit catch-up contributions which allow for participants age 50 and older to make additional deferrals at the end of the calendar year. For 2013, the catch-up contribution limit was \$5,500 for traditional/Safe Harbor 401(k) plans and \$2,500 for SIMPLE 401(k) plans. These limits are also the same for 2014. All of the 2014 contribution limits can be found on our [website](#).

As a general rule of thumb, consider the contributions an employee has made to all plans they participant in to determine if they have deferred more than the limit. If a participant has deferred more than the limit, the excess of the deferral plus any earnings must be distributed back to the participant before April 15th of the year following the deferral. If excess deferrals are not withdrawn by April 15th, all affected plans under the employer are subjected to disqualification and must go through the Employee Plans Compliance Resolution System (EPCRS). All excess deferral amounts are subject to taxation in both the year they are deferred and the following year when the excess is distributed back to the participant. However, corrections made by the April 15th deadline are not subject to the 10% early distribution tax, 20% withholding and spousal consent requirements.

For a complete listing of the most common 401(k) mistakes, please visit the IRS 401(k) Plan Fix-It Guide at [http://www.irs.gov/Retirement-Plans/401\(k\)-Plan-Fix-It-Guide](http://www.irs.gov/Retirement-Plans/401(k)-Plan-Fix-It-Guide)

For assistance in correcting a plan error, please contact Ekon Benefits at (314)367.6555 or info@ekonbenefits.com