



SCHNEIDER DOWNS

Wealth Management

How and When to Pay Plan Expenses with Plan Assets

Some retirement plan expenses can be paid for with plan assets — but many can't. Which are the “reasonable and necessary” retirement plan expenses that can be paid out of plan assets?

Generally, services required to maintain the plan's compliance and administration can be paid from plan assets. Obvious examples include the annual nondiscrimination testing and preparation of the annual Form 5500. Another example is a plan amendment or restatement that is required because a legislative change.

Optional services generally cannot be paid out of plan assets. One clear example is costs for projections that are optional and benefit the company, not the plan participants.

Some service fees may not be easy to classify. Fees for resolving plan corrections — such as delinquent deferral remittances or contributions determined with a definition of compensation not supported in your plan document. In the event of an incorrect test result, regardless of who was at fault, the law ultimately holds the plan sponsor responsible for the proper maintenance of the plan. As a result, the plan sponsor cannot shift the financial burden for the corrections to the plan.

All in all, it's perfectly acceptable and common to charge reasonable and necessary transaction-based and recordkeeper administrative fees to participants. However, it is critical to ensure that similarly situated participants are treated the same. It would be discriminatory and, therefore not allowed, for non-highly compensated employees to pay administrative fees while highly compensated employees did not.

If you are unsure whether a specific fee can be paid from plan assets, please contact your advisor. We'll happily talk through the particulars of your situation to help you arrive at an appropriate decision. ■

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