

Details of the SECURE Act: Due Dates for Adopting a New Plan



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In late December of 2019 President Trump signed into law a budget bill to fund the government for the remainder of the fiscal year. Included as an addition to the bill was the SECURE Act (Setting Every Community Up for Retirement Enhancement Act of 2019). Some of the changes within the SECURE ACT impacted IRAs, specifically the inclusion of certain types of income as includible compensation for IRA purposes and the Maximum Age for IRA contributions.

Sections 201 of the Act allows plan sponsors to adopt new qualified retirement plans after the end of the plan year.

Prior to the SECURE ACT, the employer was required to adopt a new plan prior to the last day of the plan year in order to take advantage of the tax benefits. Plan sponsors have always been able to make employer contributions up to their corporate tax due date for the prior year including any extensions.

Effective for tax years beginning after December 31, 2019, the SECURE ACT allows plan sponsors to adopt a new plan after the end of the plan year but prior to the due date of the company's corporate tax return.

For example: If Company A is a calendar year taxpayer then they would have until March 15, 2021 or, if on corporate extension, September 15, 2021 to adopt a retirement plan for the plan year 2020. This is only for qualified plans that are employer funded such as profit sharing or cash balance plans but does not include 401(k) contributions provisions as you cannot make retroactive the 401(k) deferral elections. This actually brings qualified plan adoption and contribution deadlines in line with SEP IRA provisions.



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