

## **The SECURE Act and Small Businesses**

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On December 20, 2019 President Trump signed into law what is known as the SECURE Act, or the Setting Every Community Up for Retirement Enhancement. This legislation is intended to increase Americans' readiness for retirement. The objective is to help hard working Americans secure their financial future. One way the SECURE Act helps to accomplish this is by incentivizing small businesses to set up employer-sponsored retirement plans.

### **Pooled Employer Plans**

Small businesses are now allowed to band together with other unrelated businesses to offer a retirement plan. It will permit businesses to lower the costs and have fewer administrative duties compared to plans sponsored by individual companies, similar to a group discount. The "one bad apple" rule which stipulates all employers participating in a multiple- employer plan may face adverse tax consequences if one employer fails to follow the rules has been eliminated. These modifications will encourage more businesses to offer their employees a retirement plan that rivals those offered by larger corporations. This will also attract and recruit top talent while improving employee retention.

### **Increased Tax Savings**

Tax considerations drive many financial decisions, especially in business. In addition to offering small businesses the opportunity to pool together their resources to offer employees a retirement plan, the SECURE Act will also give businesses an extra tax incentive in doing so. The Act will provide an annual tax credit that covers up to \$5,000 of plan costs for the first three years. If your retirement plan has automatic enrollment for employees, you could receive up to an additional \$500. This credit also applies for three years.

### **Other Provisions**

- Permits more employees access to retirement plans that were not allowed to participate before. Long-term, part-time employees are now eligible to participate.
- Allows the retirement plan to set the automatic enrollment percentage to as high as 15% (was 10%).
- Updates the Safe Harbor provision for plan sponsors to offer annuities in their 401(k) plans to ease liability concerns.
- Beginning in 2020, employers may adopt retirement plans that are entirely employer funded up to the due date of the tax return, including extensions.

Small business owners who were previously reluctant to offer a retirement plan may now have the motivation to do so. If you believe your business is ready for the next step, we are here to assist you in setting up your retirement plan.

If you have any questions regarding how these changes will affect you or your business, please contact one of our team members at Buckingham Advisors.