

8 Questions for the Prospective Plan Sponsor

In order to provide valued expertise and guidance regarding an employer-sponsored retirement plan, every advisor should ask the plan sponsor the following questions. Alternatively, you can bring Pinnacle Plan Design into the initial design meetings to go through the questions with the prospect directly. Each question provides valuable information that is essential to structuring and providing effective retirement plan services.

Legal Company Name:

1) What is the goal of the retirement plan? Is the objective to provide the partners or owners with the maximum contributions? Maybe the goal at hand is to share the company's profits with all of the employees? Do they want to reward savers? The goal of the plan provides insight that guides how the plan is designed.

2) If there are profits for the year, is this typical and anticipated to continue? Determine if profits and cash flow are sustainable for plan funding. Funding levels and obligations vary depending on the type of plan and the way it is designed. Certain plan designs allow for discretionary (i.e. optional) profit sharing contributions, while others require other forms of mandatory contributions.

3) Has the company ever sponsored another retirement plan? Gather the information you know about the other plan, even if it is no longer in existence (e.g. plan type, plan name, termination date, if applicable). If the company has an existing SIMPLE IRA, they are not permitted to make allocations to another retirement plan in the same year. If a defined contribution or defined benefit plan is currently in place, is it Safe Harbor? If so, changes may not be available this plan year, either. Is this a startup plan?

4) How is the employer's entity taxed? This will have relevance as to how the earned income (i.e. compensation) for the business owner is determined and, further, have an impact on certain minimum and maximum limitations. It will also determine where the relevant data will be obtained to determine the earned income (e.g. from the W-2, vs. the Form 1040's Schedule C, etc.).

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|---|--|---|
| ☐ S Corporation | ☐ C Corporation | ☐ Partnership |
| ☐ Professional Corporation - C Corp | ☐ Professional Corporation - S Corp | ☐ L.L.C. or L.L.P. taxed as a C Corp |
| ☐ L.L.C. or L.L.P. taxed as a S Corp | ☐ L.L.C. or L.L.P. taxed as a Sole Prop/Partnership | ☐ Sole Proprietorship |
| ☐ Non-Profit | | |

5) What is the ownership structure of the company and do the owners have any ownership interests in other businesses? This helps determine the pool of potential eligible employees, which greatly affects plan design and contribution values. If there is ownership elsewhere, conduct due diligence first.

Owner	Ownership %	Owner of other business? (Y/N)	Name of other business	Does this business have employees? (Y/N)
Notes:				

6) Does the company employ any relatives of the owners? Certain direct relatives of the owners are considered to own part of the company as well, which can affect the determination of the key and highly compensated employees. Understand who the family members are, the extent to which they wish to participate in the plan, and ensure the information is provided in the census.

_____ is the _____ of _____.

(owner) (relationship) (employee[s])

_____ is the _____ of _____.

(owner) (relationship) (employee[s])

_____ is the _____ of _____.

(owner) (relationship) (employee[s])

_____ is the _____ of _____.

(owner) (relationship) (employee[s])

7) Are there any anticipated changes in the company structure or employee demographics in the next 2-3 years? Changes in structure or demographics can impact the contribution requirements and mandatory testing results. Be proactive and plan for the future to avoid costly mistakes in plan design later.

8) How do you want to manage the assets of the plan? Does the employer want to manage the assets for him/herself and the employees, or should the employees be allowed to make their own investment decisions. Each option differs in terms of fiduciary liability and responsibility.

- ☐ Participant-directed
- ☐ Trustee-directed

Be sure to collect the following items from every prospective client (if applicable):

- Census data
- Plan document
- Most recent fee disclosure documents

To promptly receive a custom plan design for your client, send this completed form to:

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