Why Making Retirement Plan Deposits on Time Matters

Timely deposits are a frequent concern for plan participants. Employees expect their contributions to be managed diligently and deposited promptly.

The Department of Labor requires that employee contributions be deposited as soon as they can be separated from the employer's general assets. This has always been the main rule, even though some focus on the 15th business day of the next month.

Recent updates have made the rules clearer, especially for smaller plans.

If your plan has fewer than 100 participants, contributions are usually on time if deposited by the seventh business day after payday. This gives most plans a clear standard to follow.

If deposits don't consistently meet this deadline, plan sponsors may be required to explain processes that prevent faster deposits.

Why timing your deposits is important

If contributions aren't deposited on time, there can be financial and regulatory consequences:

- Excise taxes may apply.
- Participants may need to be compensated for lost earnings.
- Late deposits must be reported, increasing the likelihood of regulatory review.

Timely deposits also foster employee trust. Participants expect their retirement savings to be managed accurately and without unnecessary delay.

An easier way to handle plan administration

By participating in a pooled plan arrangement, many of these administrative responsibilities can be managed on your behalf.

This setup can make daily administration easier, including:

- Calculating and submitting employee and employer contributions.
- Identifying eligible employees and supporting enrollment.
- Processing deferral changes.
- Managing distributions and loan requests.

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- Handling investment election updates.
- Completing required compliance testing and filings.

This structure minimizes administrative burden and helps maintain consistent processes throughout the plan.

Contact us today to discuss how we can help you manage and maintain your retirement plan with confidence.

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