



In Rhode Island, contact:
Richard Spaziano
(401)738-0070
www.criadvisors.com



In Connecticut, contact:
Rick Flath
(203)318-1803 ext. 42
www.flathassociates.com



Creative Resources
*A Benefit & Investment
Advisory Company*

Since 1987, Creative Resources specializes in providing leading edge consulting services to executives, owners, and employees. The hallmark of our core values is long-term relationships with the world's best insurance and financial companies, coupled with an intense focus to be a trusted advisor for our clients.

Updating *benefits*

The design of an organization's benefits is closely aligned to numerous IRS regulations, SEC regulations, State and Federal court cases. While pay focuses on salary, bonus, and deferred compensation agreements, employee benefits provide significant financial advantage to an employer. Non-cash are enormously important, especially if they can be obtained tax-free. Many companies and executives fail to take complete advantage of these various programs because they are "too complicated." At Creative Resources, we take the mystery out of these programs in order to attract and retain your talent.

Did you know that there are many complex rules which 401(k) plans must follow in order to maintain their tax qualification status under the Internal Revenue Code. Maintaining tax qualified status is important because it allows the plan sponsor, plan participants and the plan trust to receive the tax benefits available to 401(k) and also helps to avoid potential tax penalties.

401(k) Plans

The 401(k) plan is an employee benefit program, sponsored by the employer which provides long term welfare benefits for the company's employees. The Internal Revenue Service (IRS) has undertaken several initiatives designed to help plan sponsors stay in compliance, including development of the Employee Plans Compliance Resolution System (EPCRS), which is intended to help employers voluntarily correct tax qualification errors. Recently, the IRS published a document titled "401(k) Plan Potential Mistakes", which plan sponsors might find useful as a practical "how to" guide for both avoiding and correcting plan mistakes.



11 Common Tax Qualification Mistakes

The publication lists 11 common tax qualification mistakes and for each mistake tells you how to identify it, how to correct it, and how to avoid it. The publication contains an overview of the tax rules impacting 401(k) plans generally, as well as detail about the rules surrounding the 11 common mistakes, which are:

- Failure to timely amend your plan document for law changes
- Inconsistency between the terms of the plan document and plan operations
- Incorrect application of the plan definition of compensation for deferrals and allocations
- Missed or incorrect payment of employer matching contributions
- Failed nondiscrimination (ADP and ACP) tests
- Improper exclusion of eligible employees
- Elective deferrals made in excess of the 402(g) limit (\$15,000 in 2007 unless \geq age 50)
- Failure to timely deposit elective deferral contributions
- Failure to make required minimum contributions in a top heavy plan
- Hardship distributions made improperly
- Failure to file a Form 5500 series return and/or distribute a Summary Annual Report to participants

If you are unclear if you are in compliance, call us for an independent audit of your plan and let us show you how to design a more effective and financially rewarding plan for your employees.