Ten Tips to Avoid Getting KO'd by your 401(k) Plan

Today, your company has to watch out for two sets of regulations regarding its 401(k) plan — from the Department of Labor and the Internal Revenue Service. Problems with either can lead to fines and other penalties. Here are some tips to reduce your risk.

[1] If you have less than 100 employees who are eligible to join your 401(k) plans, review that number each year so you don't find yourself in noncompliance due to increased hiring.

[2] Ensure that HR and Accounting talk with each other and apply the same rules and procedures for calculating employee and company-match contributions.

[3] Check that all individuals who handle plan funds or plan property are adequately bonded, as federal regulations require.

[4] Monitor all transactions with parties-in-interest to the plan, as defined by ERISA. Avoid dealings that must be reported to the Department of Labor.

[5] Annually review your company's fiduciary responsibilities regarding the operation of the plan — and make sure everyone knows what they are.

[6] Play it safe with contribution deadlines — avoid procedures that delay contributions to the last minute. It's too easy for circumstances beyond your control to make you late and get you in trouble with the IRS.

[7] Create a written guide to allocating administrative expenses among multiple plans — and make sure it's followed.

[8] When you make material changes to the plan, always request a new tax qualification letter.

[9] Keep abreast of all relevant compliance testing, and have an outside professional perform top-heavy, ADP, and ACP testing annually.

[10] Review your plan with your auditor annually to ensure you have kept up with mandatory changes