



# The Best Time to Offer 401(k) **is Now**

2024 Asure Reseller Partner Conference

Presented by John Johnson



# Speaker Introduction



**Rick Motycka**

**Director of Business  
Development**



**Rich Brindisi, JD**

**Product Marketing**

# Session Agenda

01

Review of the  
401(k) Opportunity

02

State Mandates

03

Auto Enroll

04

Investment Structure  
Differentials

05

Questions

06

Answers



**ADP and Paychex are coming for  
your payroll clients using 401(k)**



# ADP and Paychex are coming for your payroll clients



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[Who We Serve](#)

[Why ADP](#)

[Resources](#)

[About](#)



[Support](#)

[Retirement Services](#)

[Overview](#)

[401\(k\)](#)

[SECURE 2.0](#)

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## Seamless Connections

Integrate with payroll to make recordkeeping easy and accurate



## Flexible options

Make choices that are right for your business today and tomorrow



## Personalized Insights

Empower employees with personalized insights and smart tools for planning and saving



## Rock-solid security

Sleep easy, 1 million businesses trust ADP and have for over 50 years



## Make administration easy, keep employees engaged

Retirement plans work best when personal data informs decision-making. ADP's proactive approach delivers everything you need to manage your plan and help employees meet their goals.

# Paychex and ADP are coming for your Payroll clients

**PAYCHEX**

First Name \*

Last Name \*

Firm Name \*

Work Email \*

Phone Number: \*

Postal Code: \*

[Watch Now](#)



## About the Event

What's the outlook for small business retirement in 2024? Spoiler alert: small businesses with less than 50 employees are adopting retirement plans more than ever before. That's what we learned from a new survey of small business retirement trends. We'll share those insights in this webinar, and talk about strategies for leveraging the growing small-plan market for your firm. You'll learn about:

- Insights from our 2024 survey, "The Road to Retirement: A Paychex Special Report"
  - The SECURE Act: tax credits and expanded eligibility for small businesses
  - The impact of state retirement mandates
- Leveraging new opportunities to expand your client base and cross-sell services

# Paychex and ADP are coming for your Payroll clients

**PAYCHEX**

Paychex Retirement Services Online Events

Retirement 2024: Small Plan Trends for Advisors

Slides



Media Player



## The Labor Market: the Shortage is Real



of business and HR leaders said finding and keeping qualified employees is their top 2024 business challenge

The U.S. Bureau of Labor Statistics reported

**8.8 Million Job Openings**

in December 2023 but not enough workers to fill them



About Today's Presenter



**Todd Hedges**

Senior Manager, National Wholesale Channel



# \$6.8 TRILLION

There are currently \$6.8 trillion in  
the 625,000 existing 401(k) plans  
as of Q1 2023





**6.1M**

Small business  
employers  
in the U.S.

**98%**

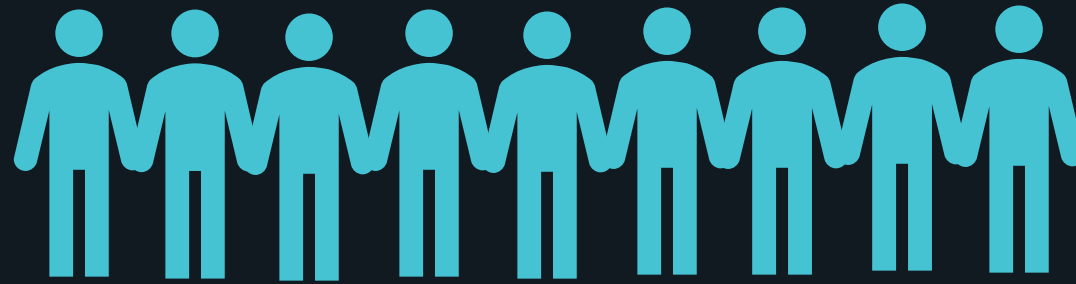
Have fewer than  
**100 employees**

**89%**

Have fewer than  
**20 employees**



# 28%



Of businesses with < 10 employees  
offer retirement plans



Only 51% of businesses with 10-24  
employees offer them.

# 51%

# Tremendous Opportunity

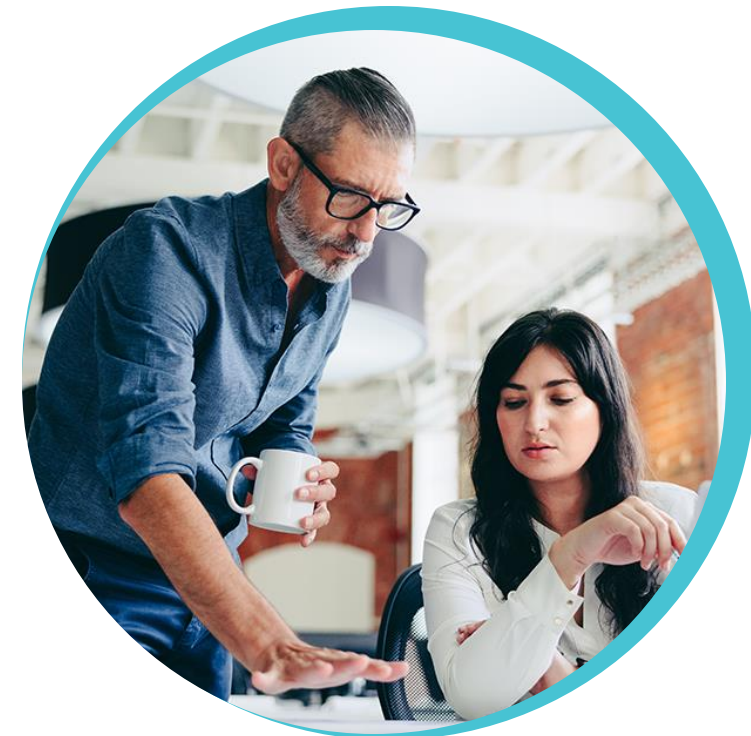
Over two-thirds of small business owners (73%) without a plan said they were 'highly likely' to offer one in the next two years – **but only 49% have taken steps** to act on that.

When asked where they will go for more information about setting up a plan, small business owners ranked family, friends, and social media (31%, 31%, and 24% respectively) before seeking guidance from a financial advisor (15%). In fact, only 39% of business owners without a plan reported even having a financial advisor.

The new Fiduciary Rule issued by the Department of Labor (DOL) significantly updates the standards and responsibilities for financial advisors providing investment advice to retirement plans. Advisors are likely to refer the plans out rather than manage the plan investments themselves.

# 73%

**of SMBs are likely to offer a 401(k) in the next 2 years.**

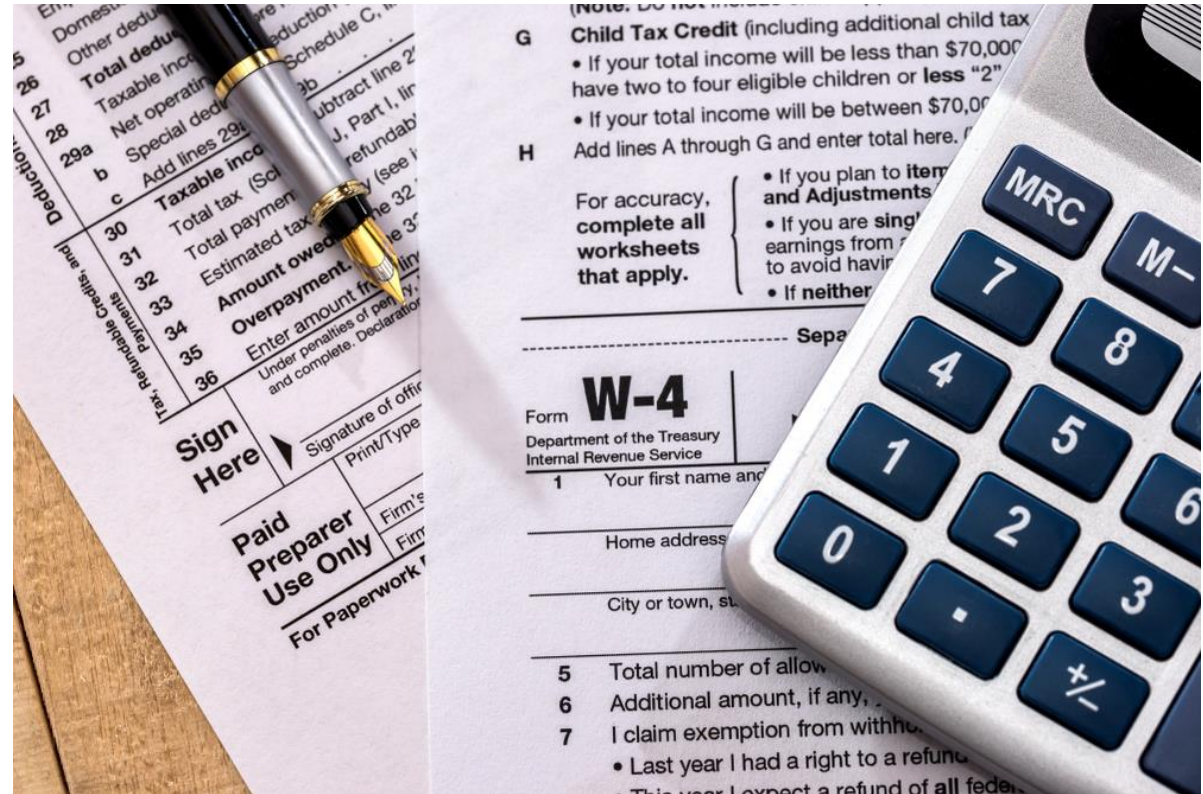




# Tax Incentives

94%

Of small businesses owners who do not currently offer a plan said they would be likely to open one if the company were to receive startup plan tax incentives or credits.





# SECURE ACT 2.0

## Incentivizes start-up 401(k) plans



Reimbursements:

**Up to \$5,000** in start-up costs for administrative, start-up and employee education fees for the first 3 years of the plan

**100% of employer match** expenses up to \$1,000 per employee for the first 2 years; 75% in year 3; 50% in year 4; and 25% in year 5

**\$500** tax credit for auto enroll (first 3 years)

# New Auto Enroll Rules

- Beginning in 2025, all new 401(k) and 403(b) plans established after the enactment of SECURE 2.0 will be required to automatically enroll new employees at an initial contribution amount between three and 10%. The amount will increase by one percentage each year until it reaches 10-15%.
- Plans established before enactment will not be impacted. New companies in business for less than three years and employers with 10 or fewer workers are excluded.

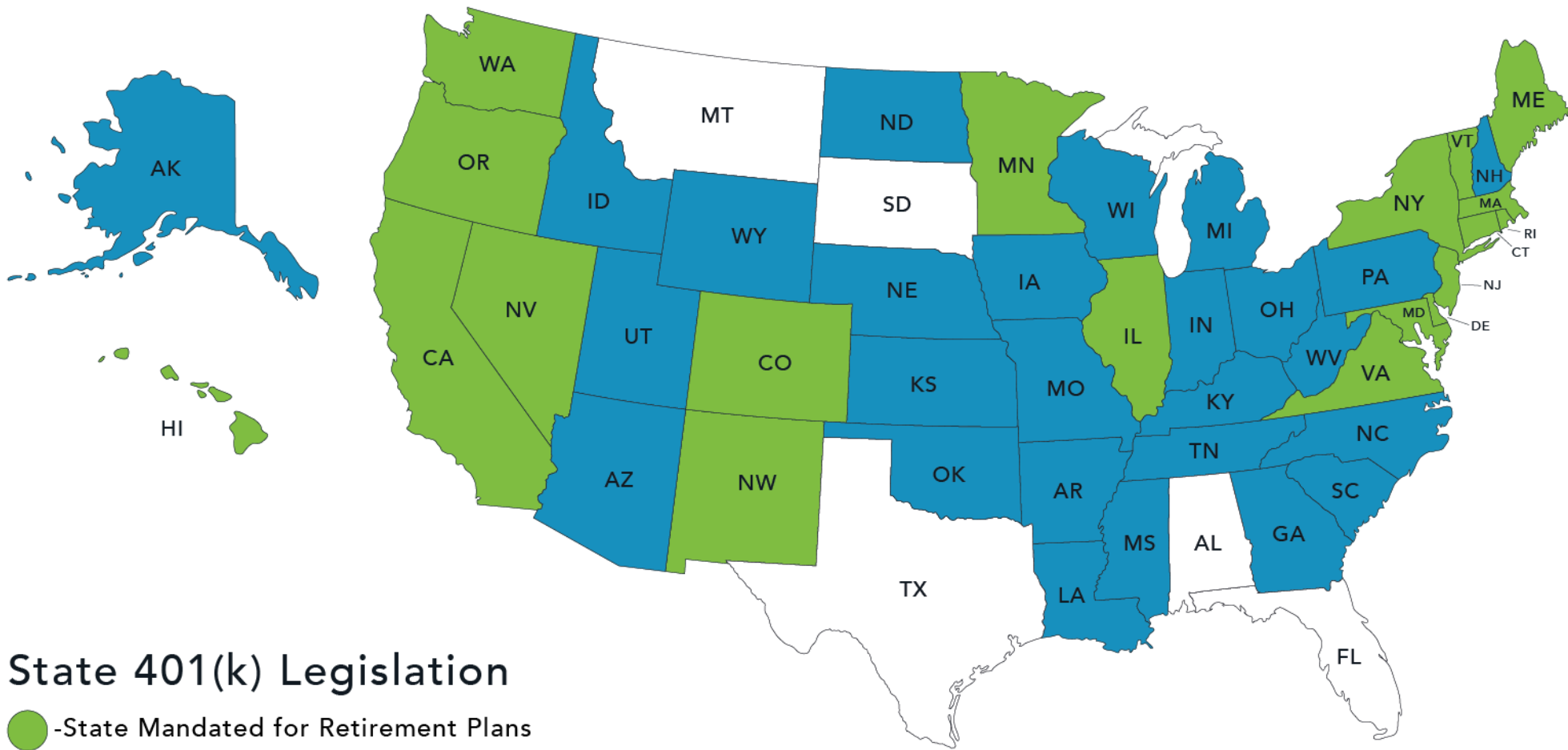




# State Mandates



# State Mandates



- California
- Oregon
- Colorado
- Connecticut
- Illinois
- Vermont
- Maryland
- Virginia
- Washington
- New Mexico
- Maine
- New Jersey
- New York

## State 401(k) Legislation

- -State Mandated for Retirement Plans
- -Considering State Mandates for Retirement Plans
- -Not Currently Considering Mandated Retirement Plans

\*\*\*All are Roth IRA Programs\*\*\*



## Cons to Roth IRAs

**Income limits:** As a Roth IRA plan, the IRS sets income limits based on the employee's tax filing status. If an employee is above the limit, they aren't eligible.

**Contribution limits:** Roth IRAs have relatively low contribution limits (\$6,000 a year or \$7,000 for people over 50).

**Fees for employees:** The cost employees pay is currently between \$0.83 and \$0.95 for every \$100 in the savings account.



## CalSavers vs 401(k)

Let's look at state plans, starting with California's CalSavers.



# CalSavers vs 401(k)

## CalSavers deadlines by business size.

Size of Business	Deadline
Over 100 employees	September 30, 2020 ( <b>Deadline Passed</b> )
Over 50 employees	June 30, 2021 ( <b>Deadline Passed</b> )
5 or more employees	June 30, 2022 ( <b>Deadline Passed</b> )
1 or more employees	December 31, 2025

# CalSavers vs 401(k)

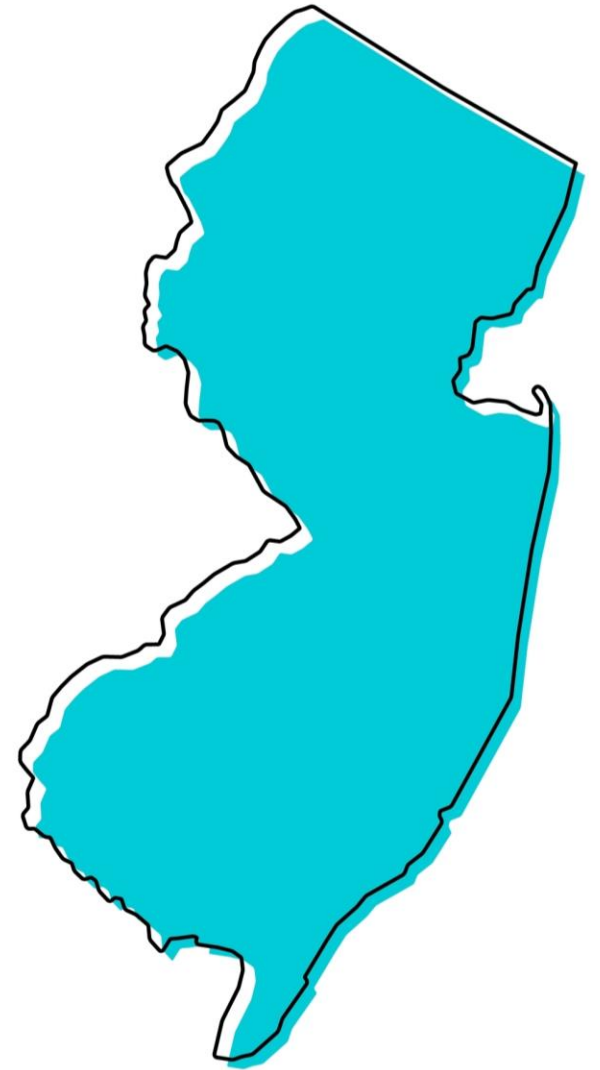
CRITERIA	CALSAVERS	401(K)
Annual Contribution Limit	\$6,000	\$20,500
Annual Contribution Limit Age 50+	\$7,000	\$27,000
Employer Match Allowed?	No	Yes
Pre-Tax Contributions?	No	Yes
After-Tax Contributions?	Yes, with income limits	Yes, with no income limits
Allows Loans?	No	Yes
Allows Profit Sharing?	No	Yes



# New Jersey Secure Choice Plan

## How does the New Jersey Secure Choice savings program work?

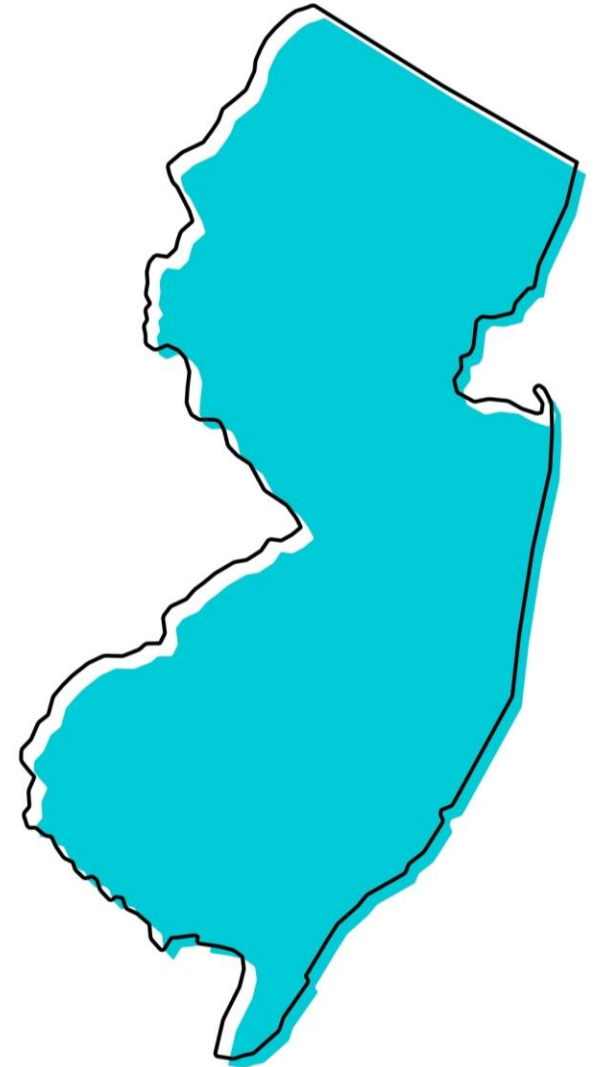
Secure Choice allows employees to contribute a portion of their pretax earnings to an individual retirement account (IRA) via [payroll deductions](#). They are automatically enrolled at a 3% contribution rate, unless they opt out or change their rate, and may contribute \$6,000 maximum to the plan per year in accordance with IRS guidelines.



# New Jersey Secure Choice Plan

## What are some additional features of the NJ Secure Choice plan?

- Employers cannot match employee contributions
- Participants may not borrow from their savings
- The maximum contribution limit for employees 50 and older is \$7,000
- Plans are portable if employees change jobs



# New Jersey Secure Choice Plan

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# New Jersey Secure Choice Plan – What's New?



## Which employers does this affect?

NJ Secure Choice applies to for-profit and non-profit employers in the public sector who have:

- 25 or more employees
  - Been in business for at least two years
  - Not offered a qualified retirement savings program in the past two years
- 
- NJ businesses that don't adhere to state-mandated retirement legislation **within one year** will receive a written warning from the government. Each subsequent year of non-compliance will result in these penalties:
    - 2<sup>nd</sup> year: \$100 per employee
    - 3<sup>rd</sup> and 4<sup>th</sup> years: \$250 per employee
    - 5<sup>th</sup> year and beyond: \$500 per employee



# Vermont Saves

## VTSaves plan details

- VTSaves will require covered employers to auto-enroll eligible employees into **a Roth IRA account with an initial payroll deduction contribution rate of 5%**, applying an annual increase of 1% up to the cap of 8% of the employee's salary.



# Vermont Saves

## VTSaves plan details

- Employees will be able to:
  - Adjust their contribution rates
  - Choose from a range of investments
  - Roll over the funds in their accounts into other IRAs or other retirement accounts
  - Opt out of the program.



# Vermont Saves

As planned, employers with more than five employees that do not already have a workplace retirement plan will be required to sign up. The program will be phased in on the following schedule, based on how many eligible workers covered employers have.

Eligible employees must be auto-enrolled by the following dates:

Date	Company size
July 1, 2025	Employers with 25 or more employees
January 1, 2026	Employers with 15 - 24 employees
July 1, 2026	Employers with 5 - 14 employees

# Other Updates



Missouri passed the “Show-Me Save for Retirement Act,” will require employers with more than 50 full-time employees to offer a 401(k) plan or an IRA-based plan to their employees.



Hawaii added a new penalty for being out of compliance with their retirement plan mandate.





# Investment Fee Structures

# Investment Fee Structures: Retail



**HIGHER EXPENSE  
RATIOS**



**LOAD  
FEES**



**12B-1  
FEES**



**MINIMUM  
INVESTMENT  
REQUIREMENTS**

# Investment Fee Structures: Retirement (R Shares)



**LONG-TERM FEE  
STRUCTURES**



**NO OR LOW  
FRONT-END LOADS**



**VARIABLE  
EXPENSE RATIOS**

# Investment Fee Structures



<b>Feature</b>	<b>Retail Clients</b>	<b>R Shares (Retirement Accounts)</b>
<b>Expense Ratios</b>	Higher due to smaller investment amounts	Variable due to economies of scale and larger investments
<b>Load Fees</b>	Front-end, back-end, or level-load fees may apply	Usually no load fees
<b>12b-1 Fees</b>	Higher, included in expense ratio for marketing/distribution	Reduced or no 12b-1 fees
<b>Minimum Investment</b>	Lower, more accessible for individual investors	None



# Investment Fee Structures



VTV / FMILX

Overview	Composition	Performance	Risk
<h2>Overview</h2>			
<h3>Key facts</h3>			
PRODUCT		<u>GROSS EXPENSE RATIO</u>	MORNINGSTAR CATEGORY
<input checked="" type="radio"/> Vanguard Value ETF (VTV)		0.0400%	Large Value
<input type="radio"/> Fidelity New Millennium (FMILX)		0.6100%	Large Value

# Investment Fee Structures

How much (in percentages) is the difference in fees worth?

.61% vs .04%

20 years = 12.03%

25 years = 15.26%

30 years = 18.59%

35 years = 22.01%

40 years = 25.52%



# Investment Fee Structures



VTV / FMILX

Comparison options

Overview

Composition

Performance

Risk

## Risk & volatility

as of 12/31/2023 (Relative to product's primary prospectus benchmark)

1 year   3 year   5 year   **10 year**

PRODUCT	<u>BETA</u>	<u>TRACKING ERROR</u>	<u>R-SQUARED</u>	<u>ALPHA</u>	<u>INFORMATION RATIO</u>
Vanguard Value ETF (VTV)	1.00	0.04	100.00	-0.02	-0.55
Fidelity New Millennium (FMILX)	0.97	6.17	85.08	-0.89	-0.25

# So, when is the best time to offer a 401(k) from an owner's perspective??



Safe Harbor – September



Traditional and Solo(k) - December



# Q & A





# Thank You!

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