

The Colorado Secure Savings Program is on its way.

If your practice employs more than five (5) people, there are some things you need to know – and things you need to *do*.

The Colorado Secure Savings Program will be phased in sometime this year. Don't let it *faze* you.

It's designed to ensure that anyone who works in Colorado has access to a retirement savings plan. **If you have more than five (5) employees**, that makes you a covered employer – which means you either have to sponsor your own retirement plan, or support employee participation in Colorado's state-sponsored individual retirement account (IRA) program.

We're almost halfway through the year, so there's no time to wait. Now is the time to review your options. While you can opt to join the state's IRA program, it may not be the plan best suited to you and your employees. You may want to sponsor your own custom-designed retirement plan; and **SMA can set up a program that fits *your* unique needs.**

Here's what you should know.

According to the American Retirement Association, **over 900,000 working Coloradans – roughly 40% – are not covered by** an employer-sponsored retirement savings plan. To remedy the situation, all employees...

- Aged 18 and up;
- Who have earned taxable wages from a Colorado employer for at least 180 days; and
- Who are not currently covered by an eligible plan

...will be *automatically enrolled* in the state's IRA plan. That plan will belong entirely to the employee, and will be completely portable from job to job.

While a percentage of each employee's pay will be automatically deposited into their IRA (**starting with a 5% deferral rate**), they can **decrease the percentage** according to their needs. And while enrollment is automatic, employees can ultimately choose to opt out entirely.

What does that mean for you as an employer?

Though employers may choose to make contributions to their employees' state-sponsored accounts,

such contributions are not required; neither are employers considered fiduciaries of the program, which means they are not liable for employee investment decisions.

Employers with more than five (5) employees are exempt from the new law if during they last two (2) years, they have sponsored:

- A qualified retirement plan under Internal Revenue Code Section 401(a), 401(k) or 403(a);
- A 403(b) tax-sheltered annuity plan;
- A 457(b) deferred compensation plan;
- A simplified employee pension (SEP) plan; or
- A savings incentive match plan for employees (SIMPLE 401(k) or IRA plan).

Employers may also enter into a “legally compliant” multiple-employer plan to qualify for exemption. The process to claim an exemption will be established by the Colorado Secure Savings Board (which will oversee the program).

If they don't meet any of these conditions, **employers have to ensure that their payroll system is set up to accommodate the new program** (including communicating with third-party payroll administrators). And failure to comply can carry a hefty penalty, resulting in fines of up to \$5000 per employer for every year of non-compliance.

This means now is the *perfect* time to implement a more substantial, more meaningful benefit for your employees. After all, **a quality retirement program is the most effective tool there is for the recruitment and retention of employee talent.**

Why not spend that time and effort creating something that really addresses their needs – and yours?

Why choose a 401(k)?

Even without a required contribution, and even without fiduciary responsibility, defaulting to a state-run IRA may not be the most beneficial option for your business. Employees want to know that their employers are looking out for them; giving them the ability to maximize their retirement savings is a great way to show them you are.

If you're looking to attract – and keep – top talent, you should be aware that employer-sponsored 401(k)s have a few significant advantages over IRAs:

- IRA contribution limits are lower, with age, marital status, and income restrictions determining the maximum contribution allowed. **Employees can save much more with a 401(k) plan.**
- **401(k)s offer much better tax benefits to employers** than the state-sponsored IRA. Under the SECURE Act, employers with up to 100 employees who offer a 401(k) can qualify for

up to \$16,500 in tax benefits; with an additional tax credit for auto-enrollment. Meanwhile, under the Colorado Secure Savings Program, each employer will receive no more than a \$300 benefit.

- With a state-sponsored IRA, the state of Colorado mandates the design of the plan, giving you and your employees little choice in how their money is spent; but **with a 401(k), you can custom design your own plan.**
- 401(k)s offer a **much wider range of reasonably-priced investment options** than IRAs.

With a range of options comes a range of information – and a range of decisions to make. But they're decisions well worth making. And SMA can help.

Let SMA Services find the retirement solution that works for you.

With decades of expertise behind us, we're uniquely equipped to help you navigate the complexities of qualified retirement plans, including plan design and plan administration. Our advisors will lay everything for you out in plain language, to help you determine which plan is best for you and your employees. And by opting to sponsor your own plan, the federal tax credits you earn will easily offset any administrative costs.

The Colorado Secure Savings Program will be in effect before you know it. There's work to be done. Just make sure it works for *you*.

SMA can show you how.