the dana report

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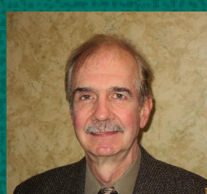
In This Issue

ABOUT THE FIRMS



Dana Consulting Group, Ltd. and Jennings Law Firm, Ltd. were established to provide employers with a single source of comprehensive legal and consulting services relating to retirement plan and employee benefit matters.

If you know someone who would like to receive *the dana report*, click the link below.

BENEFICIARY DESIGNATION FORMS

Question: If your retirement plan designation form has your spouse as your beneficiary, and you become divorced and don't change that designation, who gets your money when you die? Unless you have remarried by the time of your death, your former spouse is getting it. Unless, you fill out a new beneficiary form.

We are currently building a provision into new clients' plans that automatically revokes a spousal beneficiary designation if the participant divorces, but for older plans (or takeover plans), participants must fill out new beneficiary designation forms following a divorce. When we conduct employee education meetings, we encourage participants to review their current designations at least once every two years. Financial advisors who conduct enrollment and education meetings, this should be a part of your regular agenda.

NON-TRADITIONAL 401(K) PLAN INVESTMENTS

We have periodically covered what we call "non-traditional" 401(k) plan investments in the dana report. See our May 2018 edition (environment, social or social governance investments) and January 2018 (Tontines - an investment that combines an annuity and a lottery). Well we just came across an article in the January 2019 issue of 401(k) Specialist, a publication tracking the 401(k) industry primarily from an investment perspective, looking at cannabis and bitcoin investments. The title of the article is "How to Harvest HIGHER 401(k) Returns." We will leave it to our financial partners to sort out the merits of these investments but we remember when hedgefunds were being touted as a new opportunity to boost returns.

Our Comment: This is yet another reason why plan sponsors really need an experienced financial advisor assisting them with managing the investment menu of their 401(k) plans.

CAFETERIA PLANS AND DOMESTIC PARTNER RELATIONSHIP

A question was posed to the editors of one of our legal services whether a cafeteria plan (or flex plan or 125 plan) may allow an employee to drop coverage from his/her health plan upon entering into a registered domestic partnership. The employee was going to become covered under the employer health plan of his/her domestic partner. The editors concluded that the domestic partnership, even though recognized under state law, did not constitute a change if legal marital status. The editors also seemed to rely on the fact that the IRS has not issued any guidance on this question. We suspect the answer would have been different if the employee had become legally married with his/her partner under state law. Most of our clients are located in Illinois and the same sex marriage has been recognized in the state since 2014.

IRC 199A - THE PASS THROUGH DEDUCTION

Pass through entities like partnerships, S corporations, and certain LLCs may be entitled to a 20% pass through income tax deduction. The rules are complicated and many CPAs we work with spent a good deal in 2018 trying to figure out the new rules. The IRS, as usual, has been slow in issuing needed guidance.

If you are an owner of a pass through entity, you need to schedule time with your CPA to review these new rules. Proper planning may preserve or even increase the amount of the deduction you are entitled to receive. We are now getting into tax season and this is the time to be thinking about this.

We have prepared a firm memorandum on using retirement plans as a planning tool for this new deduction. You can download the memorandum from our website (www.danaconsulting.com) under the Education Center tab. If you would like to discuss your own situation, please call Lee T. Jennings in our office at (630) 802-7644.

USING RMDs TO FUND CHARITABLE CONTRIBUTIONS

The Tax Cut and Jobs Act of 2017 made substantial changes to the tax code. For example, the standard deduction for individuals nearly doubled and capped itemized deductions for state and local taxes paid. Many taxpayers who previously itemized their deductions will likely opt to use the standard deduction. While they will no longer take a deduction for charitable contributions, they can make qualified charitable distributions directly from an IRA with pre-tax dollars to fund these charitable contributions.

We are reprinting on our website under the Advisor Services tab an article by The Wagner Law Group explaining these new rules. These special rules are limited to individuals who are age 70-1/2 or older who are required to take requirement minimum distributions (RMDs) from their individual IRAs.