



Updates and deadlines for financial advisors

State Mandated Retirement - What Advisors Need to Know

In 2024, many states will implement laws encouraging businesses to offer employee retirement plans. In some states, offering a retirement plan is mandatory and non-compliance may be subject to penalty. Most states offer a state facilitated retirement program to make it easier for businesses to comply. It's important to be aware of [what's happening in your state](#) so your clients don't get caught short.

Which is better—a state-sponsored IRA versus an employer-sponsored 401(k)?

CalSavers, Illinois Secure Choice, NY Secure Choice. You may recognize the names of some of the state-sponsored retirement programs. They typically offer IRAs, have lower contribution limits than 401k, no employer matching, and aren't eligible for SECURE Act tax credits. While the state programs are designed to make it easy for employers to comply, they may not be as business-friendly as a private 401(k) plan.

Tax credits are one of the biggest advantages of starting a 401(k). Eligible employers can get start-up tax credits of up to \$5,000 a year over three years (capped at \$16,500) with auto enrollment. This could offset start-up costs, potentially making your client's plan virtually free for the first three years. They can put that money back into their business, while their employees can save faster by making larger contributions compared to an IRA.

If your clients have employees living out-of-state, do they have to comply with that state's retirement laws? The short answer is yes. This could be a big headache for businesses because they would have to manage separate retirement plans for their out-of-state employees, plus comply to their own state requirements. That's why many companies are looking at private retirement plans that satisfy state requirements but cover employees regardless of where they live.

For more details, see our article, ["What's the Difference? State-Sponsored Retirement Plan vs. Employer-Sponsored 401\(k\)."](#)

To learn about what the law requires in your state and what the options are, visit our [State Mandate Online Resource page](#).

Resource Corner

Compliance Deadlines:

February 28: Deadline for filing for 1099-R with IRS to report distributions made in previous year

March 15: Deadline for processing corrective distributions for failed actual deferral percentage (ADP)/ actual contribution percentage (ACP) test without 10% excise tax for plans without an Eligible Automatic Contribution

2024 Annual Retirement Plan Limits: [View updated IRS annual contribution limits](#)

For additional compliance dates and reminders, view our **2024 Retirement Compliance Calendar**



[Get the calendar](#)

401(K) Tax Credits: What your clients should know

Did you know a year-end estimated tax credit summary is now available to help your clients? It shows amounts attributable to their retirement plan for 2023 and fees paid for startup costs. This additional documentation can help determine if they're eligible for tax credits and is accessed through Paychex Flex.

Upcoming Webinars

February 27: The Power of the Small Plan [Register Now](#)

March 5: Big Growth Opportunity with Small Retirement Plans. [Register Now](#)

Special offer!

Refer Your Clients and Save

Now through February 29, 2024, referred new or conversion clients receive up to \$1,500 off fees*!

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