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Do your employees need help planning for their eventual retirement? The process can be bewildering, especially for workers who don't have much financial or investment expertise. How will they handle their 401(k) or other plan assets? Fortunately, there's a way to help out your staff without costing your company an arm and a leg.

To complement the laundry list of other statutory fringe benefits already on the books, a provision for retirement planning services was added to the tax code back in 2001. As long as certain requirements are met, these benefits of such a program, which are usually reasonable in cost, are tax-free to employees and deductible by the employer.

[This is part of a fringe benefits tax series by our resident tax expert, Ken Berry, J.D., on the "sweet 16" fringe benefits on the books for 2016.]

For starters, the exclusion for retirement planning services is only available to an employer maintaining a qualified retirement plan. This covers the usual gamut ranging from 401(k) plans to pension and profit-sharing plans to Savings Incentive Match Plans for Employees (SIMPLEs) and Simplified Employee Pensions (SEPs). Furthermore, the exclusion applies to "retirement planning advice or information." Based on legislative intent, this has been interpreted to include advice consistent with the services provided by a retirement plan advisor.

In other words, the tax code provision doesn't cover tax return preparation services that would be typically handled by a CPA or legal opinions offered by an attorney.

What sort of issues might be addressed? Some common examples of questions are as

- Can plan assets be rolled over into an IRA or other plan?
- What are the tax implications to such rollovers?
- Are there any other requirements for plan distributions?
- What is the impact of Social Security?

Note that other rules concerning fringe benefit plans, which have covered in other articles in this series, remain in effect. Thus, the program can't discriminate in favor of highly-compensated employees (HCEs), but HCEs may also benefit from the retirement services. Regulations on the issue may give employers some additional leeway. For instance, it is permissible for an employer to limit the services to those within the age group that is nearing retirement, without opening up the program to everyone. Of course, younger workers may also benefit from this advice, so an employer may choose to extend the services to the entire rank-and-file.

Finally, don't think that this type of program is strictly aimed at financial novices. Even the most sophisticated and experienced employees – including the company owners and officers — may benefit from the program.

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