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McKinley Carter
MASTER YOUR WEALTH.

Happy New Year! We hope you all had a fabulous Holiday Season.

With the holidays come the bills, so in this edition of *Qualified* we have two separate articles dealing with participant's loans: **"Deemed Loans"** and **"Loan Interest Rates"**. Participant loans are available in many retirement plans, although plans are not required to offer participant loans. Failures may occur when participant loans exceed the maximum dollar amount, have payment schedules that do not meet the time or payment requirements, or go into default when payments are not made. Each of these failures, and other issues, will cause the loan (or a portion of the loan) to become a deemed distribution for tax purposes.

Both, ERISA and the IRS requires that defined contribution plan loans reflect a “reasonable rate of interest.”

We also touch on another aspect of **Financial Wellness** — the benefits of instituting a corporate culture of gratitude. This article touches on the behavioral finance aspect of instant gratification and offers alternatives for corporations to consider.

Lastly, we provide a **Fiduciary update on ESG investments** by the DOL. We hope you find all these articles of interest.

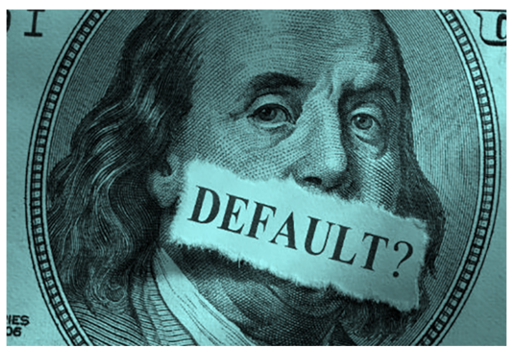
And don't forget, in the coming days we will be sending you the next edition of our new plan participant quarterly communication, *Participant Corner.* This e-newsletter is dedicated to providing your participants with valuable, easy-to-understand information to help them prepare for a successful retirement. We encourage you to forward it on to all of your retirement plan participants.

In the meantime please contact us with any questions, concerns, or feedback. We appreciate your trust in us, and we are always available for a conversation about your retirement plan.

When Does a Participant Loan Become a Deemed Distribution?

~ by Monica M. Garver, CPA, CFP®, AIFA®, CDFA®

A recent IRS Issue Snapshot (link below) affirms that a participant loan is a legally enforceable agreement and terms of the loan agreement must comply with Internal Revenue Code (IRC Section 72(p)(2) and Treasury Regulation Section 1.72(p)-1). The terms of the loan agreement must be explicit in writing or deliverable electronically.



A loan in default is considered to be a deemed distribution. But plans may offer a cure period during the quarter following the quarter in which the missed loan repayment occurred.

Read more

What is an

Appropriate Interest Rate for Plan Loans?

~ by Monica M. Garver, CPA, CFP®, AIFA®, CDFA®

Both, ERISA and the IRS requires that DC plan loans reflect a "reasonable rate of interest".

DOL Reg Section 2550.408b-1 states that "a loan will be considered to bear a reasonable rate of interest if such loan provides the plan with a return commensurate with the interest rates charged by persons in the business of lending money for loans which would be made under similar circumstances." A pre-existing DOL Advisory Opinion, 81-12A, suggests that plan sponsors should align their plan interest rate with the interest rate banks utilize. electronically.

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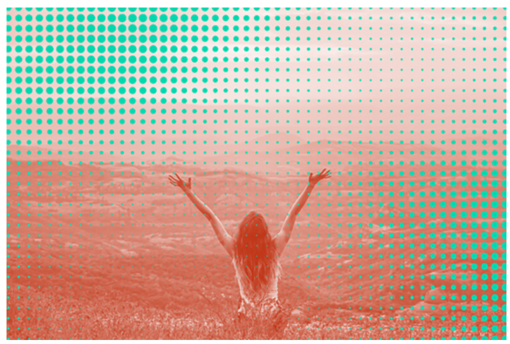
Thanks for the Memories: Gratitude and Financial Wellness



~ by Jeffrey Stenhouse, FPQP™

So much about financial wellness has to do with cultivating a mindset that favors delayed versus immediate gratification. In the language of behavioral economics, the tendency to prefer short-term rewards is called hyperbolic discounting. This often leads to more impulsive decision-making, and it can feed excessive personal debt and hamper retirement readiness over time, whereas those (typically in the minority) who will wait for a larger reward are frequently described as "present-based."

So how do you help your employees resist the "urge to splurge" and prioritize saving for retirement instead? It certainly seems like a tall order, given that it runs counter to tenets of fundamental human psychology. But what if the answer could be as simple as a little well-timed gratitude?

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Department of Labor Takes 180 Degree Turn on ESG Investing

~ by Monica M. Garver, CPA, CFP®, AIFA®, CDFA®

- Proposed regulations published in December allow plan fiduciaries, when evaluating investments, to consider climate change and other environmental, social and governance (ESG) issues as risk factors affecting workers' financial security.

- At the very end of the Trump administration, the Department issued final regulations on ESG investing. Practically speaking, these regulations made it difficult for plan fiduciaries to add ESG options. Nonfinancial factors such as climate change and racial diversity could only be considered as a tie breaker. In March of last year, the Biden Administration announced that it would walk back these rules.

Read more

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