Focused Wealth Management

REGISTERED | INVESTMENT | ADVISOR

THE POWER OF A FIRM COMMITMENT™

FIDUCIARY BOOTCAMP 2.0

2025 CP State Annual Conference

October 8, 2025

Philip J. DeAngelo

Managing Director

WELCOME!

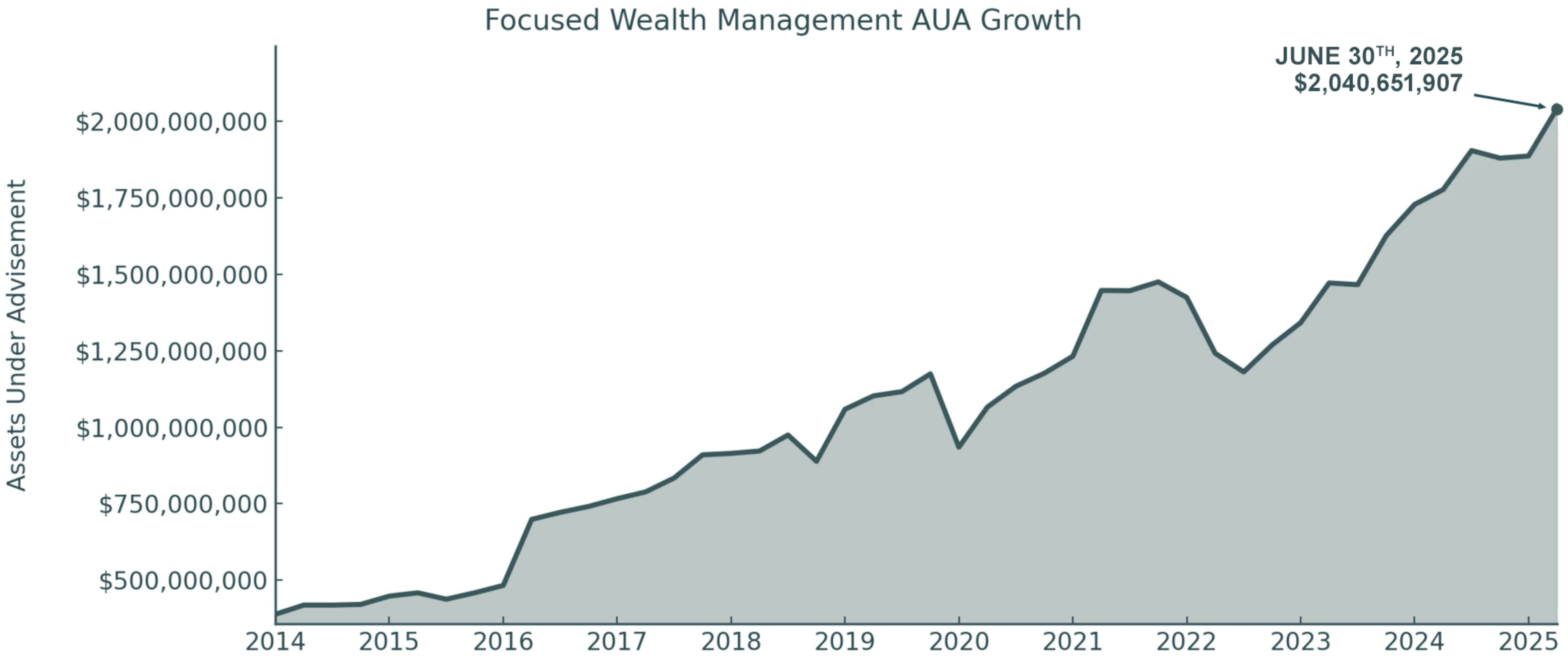
PASSION. PROGRESS. PEOPLE.

Focused Wealth Management is a SEC Registered Investment Advisory firm committed to providing clients with superior asset management solutions and services. We offer a broad range of investment products, including equity and fixed income strategies across domestic, global and emerging markets. Focused Wealth Management has developed a special niche for Trusts, Not-for-Profits, Public and Private Endowments, Pension Funds, Foundations and Contingency Funds with 501(c)(3) plan sizes ranging from $10-$25 million.

As of March 31, 2015 we manage approximately $449 million dollars in client assets. Our Partners and Team Members are proud of our tradition of investment experience, absolute integrity and unwavering devotion to our clients' portfolios and needs.

Our in depth research-driven investment process and extensive analysis identifies securities and investments that we believe drive our portfolios which are designed to provide growth to our clients portfolios, while constantly striving to keep investment costs low.

FIRM AUA GROWTH



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Charles Yarnold, AIF®, RSSA®

Managing Director of Retirement Plan Solutions

UNDERSTANDING YOUR ROLE

SECURE ACT 2.0 UPDATES

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FOCUSED WEALTH MANAGEMENT

PRESENTERS

Charles Yarnold AIF®, RSSA®
Managing Director of Retirement Plan Solutions - FWM

UNDERSTANDING YOUR ROLE & SECURE ACT 2.0 UPDATES

Maria Manrique
Retirement Plan Solutions Associate - FWM

PARTICIPANT WEBSITE

Joe Boyle
Regional Sales Director - BPAS

PLAN AMENDMENTS & NOTICE REQUIREMENTS

BDO
Accounting Firm

ACCOUNTING & AUDIT GUIDANCE

Charles Yarnold AIF®, RSSA®
Managing Director of Retirement Plan Solutions - FWM

LEGISLATIVE AND REGULATORY UPDATES, RFP PROCESS

The Fiduciary Planning Process

We can help you review and understand your fiduciary roles and goals with our 5-step process:

STEP ONE

Review and document fiduciary goals

STEP TWO

Understand your role as a fiduciary

STEP THREE

Review the past year's committee minutes, your investment policy statement and existing committee charter and bylaws

STEP FOUR

Develop a fiduciary calendar for the coming year

STEP FIVE

Monitor the investments and key fiduciary activities with a checklist to ensure your fiduciary house is in order

LET'S TAKE A STEP BACK

The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019

- Signed into law December 20, 2019
- Designed to encourage more participants to participate in retirement plans
- Designed to encourage more employers to offer retirement plan benefits

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LET'S TAKE A STEP BACK

SECURE ACT 2.0 - Legislation created to address the retirement crisis in America

- Enacted December 29, 2022
- Approximately 90 provisions pertaining to retirement planning
- Designed to encourage more participants to participate in retirement plans
- Designed to encourage more employers to offer retirement plan benefits

AUTOMATIC ENROLLMENT & ESCALATION

Effective 2025 / Required

- 401(k) and 403(b) Plans established after 12/29/2022 must contain Auto Enrollment (including sponsors adopting into a multiple-employer plan)
- 1st year deferral rate between 3% and 10%
- 1% annual auto-escalation up to between 10% and 15%
- Employee can opt out
- 90-day permissible withdrawal feature
- Invested in QDIA if employee doesn't make an election

AUTOMATIC ENROLLMENT & ESCALATION

Exceptions:

- Plans established prior to 12/29/2022
- Sponsors with fewer than 11 employees
- Sponsors who have been in business less than 3 years
- Governmental, Church and SIMPLE Plans

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CATCH-UP CONTRIBUTIONS INCREASE AT LATER AGES

Effective 2025 / Optional

- Catch-up contributions will be increased to the greater of $10,000 or 150% of the age 50 catch-up contribution amount for employees who reach the ages of 60, 61, 62, or 63 during the year.

*<u>Comment</u>: *This is optional in the sense that providing catch-up contributions in general is optional, but these increases are presumably required in plans that do allow for catch-up contributions, but we may need more guidance.*

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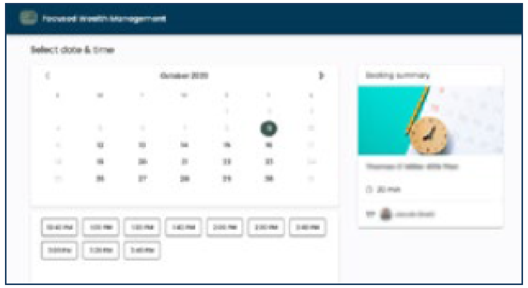
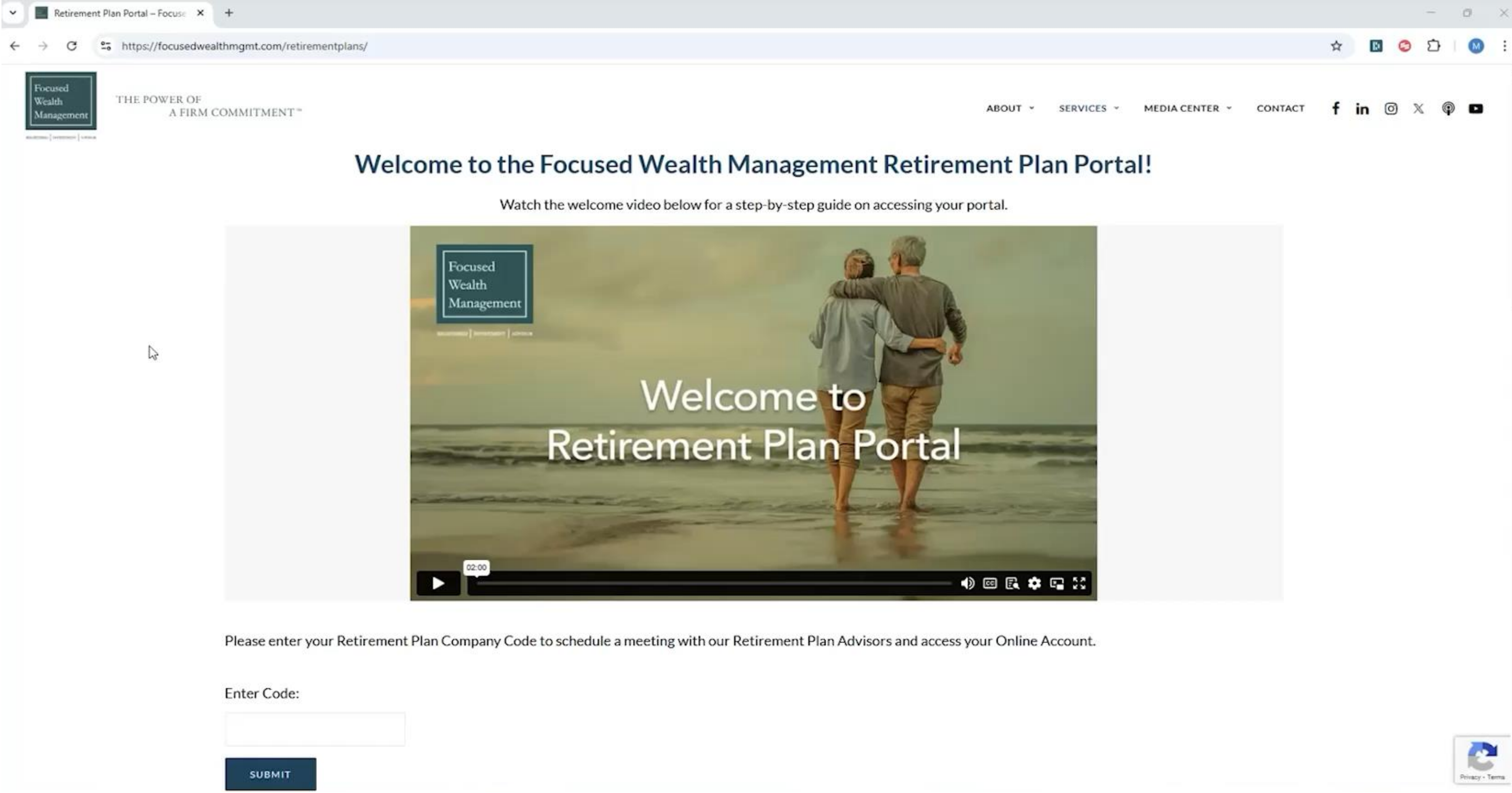
EMPLOYEE EDUCATION & SERVICES

Focused Wealth Management

1. *Introduction meeting*
2. *Review of plan benefits*
3. *Private one-on-one meetings*
4. *Ongoing education meetings*
5. *Custom asset allocation models*
6. *Comprehensive financial planning advice* (advice beyond plan related questions)
7. *Ongoing quarterly group education provided*
8. *Supplemental communication and digestible educational videos on pertinent personal finance and retirement topics*



FINANCIAL WELLNESS



www.FocusedWealthMgmt.com/RetirementPlans

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Joe Boyle

BPAS - Regional Sales Director

NOTICE REQUIREMENTS & PLAN PROVISIONS

STREAMLINE NOTICE REQUIREMENTS TO UNENROLLED EMPLOYEES

No Longer Required/Effective Now

- Plans are **no longer** required to provide various notices to employees who have not elected to enroll after they have been given a Summary Plan Description and any other notice related to eligibility to participate in the plan.
- **Instead**, plans will be required to provide an annual notice reminding the employee of eligibility to participate in the plan, key benefits and rights (including employer contributions and vesting), and any deadlines to enroll.

CASH-OUT THRESHOLD AND AUTOMATIC PORTABILITY

Effective 2024 / Optional

- The threshold for a cash-out and automatic transfer to a default IRA, for plans that provide for such, is increased from $5,000 to $7,000.
- Plans and recordkeepers will be able to offer automatic portability for amounts transferred to default IRAs provided the IRA may be automatically transferred into the plan of the employee's new employer without the employee needing to take any action.

Comment: *Similar to previous cash-out thresholds, the $7,000 is fixed and not subject to automatic cost of living increases. The mechanics of automatic portability are to be determined, but IRS has been tasked with issuing guidance to improve the rollover process with the next two years.*

ACCELERATED ELIGIBILITY FOR PART-TIME EMPLOYEES

Effective SECURE Requirements

- The SECURE Act **<u>required that employees with at least 500 hours of service in each of three consecutive years (beginning in 2021) be permitted to make elective deferrals</u>** to an employer's 401(k) plan with no requirement for an employer to provide matching or other employer contributions. These part-time employees could become 401(k)-eligible as early as January 1, 2024.

- After December 31, 2024, **<u>the eligibility requirement is reduced from three to two years;</u>** but it excludes years of eligibility service prior to 2023, and includes 403(b) plans. Under the new rule, part-timers could be eligible as early as January 1, 2025 (does not change previous eligibility in 2024 under the original rule).

EMPLOYER CONTRIBUTIONS AS ROTH

Effective Now / Optional

- Employees can elect to have their employer contributions deposited as Roth.
- Employees must pay taxes on the contributions for the year in which they are deposited.
- Applies to both match and non-elective contributions that are fully vested at the time they are made.
- Applies to 401(k), 403(b) and 457(b) plans.

*__Comment:__ *Further guidance is needed regarding how these contributions will be treated for purposes of payroll withholding and income tax reporting; among other things.*

ROTH REQUIREMENT FOR CATCH-UP CONTRIBUTIONS

2024 Development: **Delayed 2 Years! – Required by 2026 (Generally effective in 2027 and reasonable good faith interpretation for 2026)**

- Catch-up contributions to 401(k), 403(b), and governmental 457(b) plans by employees whose wages exceed $145,000 (as indexed) **must be made on a Roth basis**.
- This Roth treatment of catch-up contributions is mandatory for any plan that makes catch-up contributions available.

*__Comment__: *This creates another indexed threshold for employers, payroll providers and recordkeepers to track.*

HARDSHIP WITHDRAWAL SELF-CERTIFICATION

Effective Now / Optional

- Plan Administrator can rely on a participant's self-certification of the following:
  - Hardship is for immediate and heavy financial need
  - Hardship amount does not exceed the amount required to satisfy the need
  - The participant has no alternative means to satisfy the need
- Applies to 401(k) and 403(b) Plans
- Similar rule applies to administrators of 457(b) plans that allow distributions for unforeseeable emergencies

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LOOKING FORWARD

- **SECURE ACT 2.0 is ongoing**
- **SECURE ACT 3.0 could be next year**
- **Lowering Participation Age from 21 years old to 18 years old?**
- **Allowing GIG workers access to retirement plans?**

LOOKING FORWARD – LEGISLATIVE POSSIBILITIES

- **Retirement plans could become revenue source**
- **Eliminating backdoor Roth conversions**
- **Cutting plan contribution limits**
- **Change in timing of tax treatment of NQDC could be in play**

ROTH CONTRIBUTIONS - TAXATION

Employer Matching & HCE Catch Up (2026 and Beyond) Contributions:

- While an employee's contributions to a Roth 401(k) are made with after-tax dollars, the employer's matching contributions are also made with after-tax dollars.

Tax Implications of Employer Match:

- This means an employee owes income tax on the amount of the employer match in the year it's contributed.

Reporting:

- The employer match will be reported on your 1099-R as income, and the employee pays taxes on it at that time.

SECURE Act 2.0:

- The SECURE Act 2.0 allows employers to match contributions to Roth 401(k)s, but it's optional, and not all employers offer this option.

DOL RETIREMENT PLAN LOST AND FOUND

- **Section 303 of SECURE ACT 2.0 requires DOL to create L&F Database**
- **Will improve over time, very new**
- **DOL asked plans to voluntarily provide information in early 2024, very few plans participated**
- **November 2024 – DOL announced it will use data from form 8955-SSA to help build database**
- **Lostandfound.dol.gov**

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VFCP – LATE DEPOSITS, PLAN LOANS, ETC.

- **Jan 14, 2025 – DOL provided updates to Voluntary Fiduciary Compliance Program (VFCP) – allows fiduciaries to self-correct certain late deposits and plan loan failures without formal VFCP filing**
- **This became effective March 17, 2025**

SAVER’S MATCH

Effective 2027 / Optional

- Instead of a tax credit refund on their return, lower-income retirement savers will be eligible for a government-funded matching contribution to their IRA or retirement plan for 50% of their contributions (with income-level phase out), up to a maximum of $2,000, reduced by certain distributions taken by the individual.
- This match phases out based on income and replaces the current Saver’s Credit

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LEGISLATIVE AND REGULATORY UPDATES, RFP OVERVIEW

BUDGET CUTS & ECONOMY

- **Medicaid.** OBBBA creates new administrative requirements and conditions on eligibility (including work requirements)
- To partially offset the cost of trillions of dollars in tax cuts, the legislation includes nearly $1 Trillion in cuts to Medicaid.
- Inflation/Costs - Participants are cost conscious more than ever
- Our Passion – Keeping Costs Down, more money in your participants pockets!

ADMINISTRATION – POTENTIAL POSITIVES

- Tax Cuts & Jobs Act – TCJA – Extended
  - Lower taxes may lead to more free cash flow, more money to contribute to retirement plan
- Social Security – Elimination of Taxation?
  - Currently taxed up to 85%, less taxes may mean more money to contribute to retirement plan
  - Senior Tax Deduction - $6,000 – Subject to Income Limitations
- No Taxation on Tips – Subject to Income Limitations
- No Taxation on Overtime – Subject to Income Limitations

ADMINISTRATION – POTENTIAL NEGATIVES

- Tariffs
  - Increased Tariffs could mean increased inflation
  - Less free cash flow to invest
- Health Care costs could rise
  - Inflation Reduction Act – Expires end of 2025
  - Affordable Care Act – Enhanced Premium Tax Credits set to Expire end of 2025

REQUEST FOR PROPOSAL (RFP)

What is the RFP for Retirement Plans?

- A formal advisor RFP process provides an opportunity to gather intelligence on the current state of the art for retirement plan advisory services, pricing for those services, and the different business models of advisors providing them
- FWM – **Completes Annually** (Recommended by DOL to be done every 3 years)
- Fees – Fair and Reasonable

Focused Wealth Management
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www.focusedwealthmgmt.com

Thank You for Joining Us Today.
Questions or Comments?

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DON'T MISS:
OUR LATEST
2 QUESTION
TUESDAY

October 31, 2023

October 24, 2023

October 17, 2023

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