



Maine's Retirement Savings Program

A guide to compliance



PaperTrails

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About Paper Trails

Paper Trails was founded in 2004 to relieve small businesses' financial preparation headaches and to allow you to work smarter no matter your size.

We are a local small business without an 800 number that consists of a team of fun and local experts purveying convenient, high tech, compliant services. From running payroll, to bookkeeping and benefit administration, Paper Trails allows you to handle the work, while we handle the paperwork.



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The Retirement Savings Crisis

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Planning for retirement is important

Every American worker would like to retire with a comfortable amount of money at an early age. According to an annuity.org study, the following statistics suggest that is not happening. In fact, the United States is facing a retirement savings crisis.

United States Statistics*

- Retirement age is 62, while the average American retires at 66.85 years old.
- 22% of Americans have less than \$5,000 saved for retirement.
- 15% of Americans have nothing saved for retirement.
- While 72% had access, only 56% of workers were enrolled in a workplace retirement plan.

Maine Statistics*

- Out of the 504,000 Maine private sector employees, only 41% have access to an employer-sponsored retirement plan.
- 114,000 of those workers work for businesses with fewer than 25 total employees.

On June 24th, 2021, Maine became the latest state to address this retirement crisis by passing [An Act to Promote Individual Retirement Savings through a Public-Private Partnership](#) into law.

Statistics from studies done by [annuity.org](https://www.annuity.org) and [Georgetown University](https://www.georgetown.edu)

Maine's Retirement Savings Program



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[An Act to Promote Individual Retirement Savings through a Public-Private Partnership](#)

[Read Full Law](#)



Maine's Retirement Savings Program requires employers to offer an employer-sponsored retirement plan to their employees. If an employer does not offer a retirement plan, they must provide their employees the option to contribute to a state-sponsored retirement plan.

Full Details

- ✓ For those businesses that do not offer an employer-sponsored plan, employees will be automatically enrolled in the State's plan.
- ✓ 5% of wages will be automatically withdrawn from each pay check and put into a Roth IRA.
- ✓ Employees may choose to increase or decrease this contribution rate.
- ✓ The annual contribution rate will automatically increase 1% per year, up to a max of 10%.
- ✓ Employees will have an opportunity to opt out.
- ✓ Those employees that do opt out will be automatically re-enrolled with the opportunity to opt out again at regular or ad hoc intervals.
- ✓ Employers will not be required to match employee contributions.
- ✓ There will be per employee penalties each year for those businesses not in compliance.

Maintaining Compliance



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Who is required to comply with this new law?

Private employers with more than 5 employees will be required to comply with this retirement program. Public employers and those businesses with less than 5 employees are exempt from this requirement.

How can businesses maintain compliance?

Businesses have two options to maintain compliance.

- 1 Setup an employer-sponsored retirement plan for your employees.
- 2 Should an employer-sponsored plan not be right for your business, enroll your employees in the State's retirement savings program.

When must businesses comply?

This program may be implemented in stages, beginning with a pilot program in late 2023.

Whether the program is rolled out in stages based on employee count, all covered employers must be in compliance with this mandate no later than December 31st, 2024. Failure to be in compliance may result in fines levied by the Maine DOL.



Types of Retirement Programs



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Businesses have an array of retirement plan options available to them. Any of the following plans would satisfy the requirement of the Maine Retirement Savings Program and keep your business in compliance.

Acceptable Retirement Programs

- 401(a)
- 401(k)
- 403(a)
- 403(b)
- 408(k) SIMPLE IRA
- 457(b) plan



The two most common retirement plans, especially for those businesses under 100 employees, are Traditional 401(k)s and SIMPLE IRAs. Continue reading for more information about these two common retirement plans.

Traditional 401(k) VS SIMPLE IRA



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A traditional 401(k) is an employer-sponsored plan that gives employees a choice of investment options. A SIMPLE (Savings Incentive Match Plan for Employees) IRA plan provides small employers with a simplified method to contribute toward their employees' and their own retirement savings.

| 401(k) vs SIMPLE IRA - Contribution Rules | | |
|---|---|---|
| | Traditional 401(k) | SIMPLE IRA |
| Who can offer these plans? | Businesses of all sizes | Under 100 employees |
| How much can one contribute? | Up to \$22,500* | Up to \$15,500* |
| What are the catch-up limits over 50 years old? | Up to \$7,500* | Up to \$3,500* |
| Are employer contributions required? | Not required, but are allowed | Mandatory |
| What are the employer contribution rules? | Required proportional contributions for each eligible employee if you contribute for yourself | Either 2% fixed contribution even if employee doesn't contribute or up to 3% match of employee contribution |

**Contribution limits for 2023. IRS issues updated contribution limits annually.*

Traditional 401(k) VS SIMPLE IRA



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401(k) vs SIMPLE IRA - Additional Rules

Traditional 401(k)

Contributions can be subject to vesting schedules

Participants can take loans against their account

Can be paired with other retirement plans

High administrative burden

Highly customizable

Choose an appropriate investment lineup

Ensure loans are approved and are properly administered as well as approve distributions and rollovers

Maintain annual compliance testing and file a form 5500 through a third party administrator

SIMPLE IRA

Employer contributions must be 100% vested immediately

Participants can not take loans against their account

Can not be paired with other retirement plans

Low administrative burden

Limited customization options

Limited oversight on investments available

Withdraw from plan at anytime with 10% penalty if under 59 ½ years old (25% penalty if enrolled within last 2 years)

No administration fees on the employer

Tax Benefits of Retirement Plans



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Offering any type of retirement plan can result in a tax advantage for your business.

RETIREMENT PLAN STARTUP COSTS TAX CREDIT

- ✓ With the recently enacted SECURE ACT 2.0, employers can now get a **100% tax credit** of eligible administrative costs.
- ✓ Employers can deduct up to the lesser of **\$250** per non-highly compensated employee or **\$5,000** of plan setup fees and administrative costs for the first three years of the plan.
- ✓ Businesses who choose auto-enrollment can deduct an additional **\$500** per year for 3 years.
- ✓ Meaning potentially a total of **\$16,500** in tax credits in the first 3 years of a new employer-sponsored retirement plan.

EMPLOYER CONTRIBUTION TAX CREDIT

- ✓ Years 1 & 2: **100% tax credit** for employer contributions up to \$1,000 per employee.
- ✓ Year 3: **75% tax credit** for employer contributions up to \$1,000 per employee.
- ✓ Year 4: **50% tax credit** for employer contributions up to \$1,000 per employee.
- ✓ Year 5: **25% tax credit** for employer contributions up to \$1,000 per employee.
- ✓ Year 6: **No tax credit.**

What to Do Next

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Now that you know your business must comply with The Maine Retirement Savings Program no later than April 2024, now is the time to review your options and make a decision.

Remember, you have two options to avoid yearly penalties of up to \$100 per employee from the State. Businesses can:

- 1 Setup an employer-sponsored retirement program for their employees by the deadline that your business falls under. This is [our recommended option](#) as you can not only choose a plan that works best for your employees, you can receive up to \$16,500 in potential tax credits!
- 2 Enroll your employees in the State's retirement program. More detailed information will be released by the state in the coming months.

NEXT STEPS

Explore Options: Whether it be your payroll company or your trusted financial advisor, focus on trustworthy, reputable companies to help your company with retirement plans. Paper Trails works with many local financial advisors and partners with several direct 401(k) providers; we would be happy to make a recommendation for your business.

Make a Decision: Once you have chosen a provider, evaluate your options and decide on which type of plan, whether your own or the State's, makes the most sense for your business.

Communicate: Once a plan is chosen, the next step is to let your employees know. Whatever plan you choose, provide plan information to your employees so they can make informed decisions about investing in their future.

How Paper Trails Can Help

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At Paper Trails, we have the [tools necessary](#) to assist your business in maintaining compliance with this new requirement. Benefits of working with us include:

- ✓ Direct integration with most retirement providers for administrative ease.
- ✓ Recommendations to trusted, local financial advisors and retirement plan providers.
- ✓ Auto-enrollment features, providing your business an additional \$500 in tax savings for the first 3 years of a new plan.
- ✓ Mobile friendly system with simplified retirement plan enrollment.
- ✓ Streamlined retirement and payroll administration so contribution changes are updated automatically resulting in fewer errors and enhanced compliance.

1:05

solved HR

Benefit Enrollment

Select coverage level to view costs and complete your information.

I have been informed of the option to make contributions to the 401(k) Plan and I elect not to make contributions to the plan at this time.

\$0.00
Per Pay Amount

\$ Deductions

| | |
|---------------------|----------------------|
| 401(k) Roth Amount | <input type="text"/> |
| 401(k) Roth Percent | <input type="text"/> |
| 401K Amount | <input type="text"/> |
| 401K Percent | 2.00 |

Beneficiaries

You have no contacts selected as beneficiaries. Please add one.

SELECT PLAN



Partner With Paper Trails

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We work with trusted advisors just like you—CPAs and enrolled agents, health and workers comp brokers, TPAs, and financial advisors—to make sure the power of client data serves all parties involved in running clients' businesses successfully.

Collaboration is the best way to provide our clients with the full support they expect.

Employers often struggle to maintain compliance with retirement plan requirements. Paper Trails helps clients track employee eligibility, calculate and reconcile payroll deferrals and employer contributions, report and transmit contributions to retirement providers, and prepare annual census reporting.

- ✓ By building a retirement plan into our system, all rules are customized to the plan specifications. Employees are only able to contribute once all eligibility criteria are met.
- ✓ Payroll deferrals and employer contributions are reconciled against plan specifications with every payroll, reducing year-end adjustments.
- ✓ We offer integrations with most retirement providers to transmit wages and contributions to the retirement provider each payroll, ensuring that the employer does not forget to make contributions.
- ✓ Custom census reports and exports enable flawless annual testing and preparation of the 5500.



PaperTrails