LOREN D. STARK COMPANY, INC.
RETIREMENT PLAN CONSULTANTS & ADMINISTRATORS

APRIL 2009

NEWSLETTER

My Employer Declared Bankruptcy

As the current economy reflects serious downturns with recovery estimates taking many months or even years to manifest any improvement, the potential for bankruptcy becomes more prevalent in the business world. For individuals, one of the areas of concern is the status of their retirement plan assets in the event their employer declares bankruptcy. Can they lose their retirement investments? Can creditors attach or place a lien on their holdings?

If your employer declares bankruptcy, it will generally take one of two forms:

• reorganization under Chapter 11 of the Bankruptcy Code, or
• liquidation under Chapter 7.

A Chapter 11 (reorganization) usually means that the company continues in business under the court's protection while attempting to reorganize its financial affairs. A Chapter 11 bankruptcy may or may not affect your pension plan. In some cases, plans continue to exist throughout the reorganization process.

In a Chapter 7 bankruptcy, the company liquidates its assets to pay its creditors and ceases to exist. Therefore, it is likely your pension plan will be terminated.

(click here for further details)

Early Social Security Benefits – Retirement at 62

As many Americans approach retirement during these currently difficult financial times they face an important decision - when to start receiving Social Security benefits. Should they begin receiving Social Security benefits at age 62 or defer those benefits until a later date? Retirees can begin receiving a reduced monthly benefit at age 62; however, if they wait, they will receive a progressively larger benefit for each month the retiree postpones his or her benefits, up to age 70. Obviously, some retirees do not have the financial flexibility to defer Social Security benefits. Those who do must compare the trade-off between larger monthly benefits versus receiving reduced benefits over a longer period of time.

(click here for more)

Terminating your Defined Benefit Plan

The question has been raised as to how long after a Defined Benefit (DB) Plan has been terminated the employer will have to wait before they can start up another DB Plan. Some have asked if it is possible to terminate a Defined Benefit Plan and immediately start a new one.

These questions are generated by the current economic conditions; specifically, reduced retirement investment values and potentially higher tax rates over the next several years. The idea being that if a DB Plan can be terminated, all participants could roll their money into a ROTH Individual Retirement Account (IRA) and thereby take advantage of lower tax rates now as well as tax-free withdrawal at retirement on both the investments and the earnings.

(click here for more)

Tips to Prepare for an Efficient Audit

So you have received notice that your retirement plan is scheduled to be audited. It is not a time to panic. Below are tips to assist you in preparing for an efficient examination.

(click here for further details)

Terminating Participants

Q. Your company may have participants who have left employment during the year and you do not plan on rehiring them. What should you do with their 401(k) account balances?

A. The first step is to review your plan document to determine how to handle a terminated employee's account and your options should be spelled out. Remember, a plan may not make a distribution of a participant's vested account balance if it exceeds $5,000 without his or her consent. In some cases, the participant's spouse must also consent. If a participant's vested account balance does not exceed $5,000, but is $1,000 or more, the plan must roll over the amount directly into an IRA, unless the participant decides to receive a distribution of the balance or to have the balance directly transferred to another plan or an existing IRA.

(click here for more)

Saver's Credit

Did you make any contributions to your retirement plan during 2008? Have you heard of the Saver's Credit? Low and moderate income workers can take steps now to save for retirement and at the same time earn a special tax credit in 2008 and the years to come. The Saver's Credit helps offset part of the first $2,000 workers voluntarily contribute to IRAs, 401(k) plans and similar workplace retirement programs. Formally known as the Retirement Savings Contributions Credit, the Saver's Credit is available in addition to any other tax savings that apply.

(click here for further details)