



## Small Business Builder: Good Retirement Plans

### Amend Your Company's Retirement Plan by Feb. 28

By [Mary Campbell](#)

**Feb. 20**

Enron might be a golden goose for late-night comedians, but as far as its employees are concerned, the company simply laid an egg.

Like most of the nation, you're probably outraged by the Enron 401(k) fiasco; but many of us need to stop cluck-clucking long enough to make sure our own companies' retirement plans are in order.

Companies that sponsor qualified retirement plans — ESOPs, Keoghs, profit-sharing and 401(k) plans, for example — must amend the plans to comply with tax-law changes over the past several years. If you're affected, your deadline could be as early as Feb. 28, 2002, though cut-off dates vary depending on the type of plan. Failure to comply could disqualify your plan retroactive to 1995.

Call your accountant if you're not sure about your status. You'll find more information on the IRS Web site.

#### Can It Happen to You?

Like some 2,000 other companies, Enron offered its own stock as an option in its 401(k) plan. By federal law — the 1974 Employee Retirement Income Security Act (ERISA) — only 10 percent of defined-benefit plan assets may be invested in the employer's stock. But Enron's plan, a 401(k), is a defined-contribution plan. ERISA diversification rules apply to 401(k) plans only when such plans require employees to buy their employers' stock.

Enron made all its matching retirement-plan contributions in Enron stock, but employees were free to use their own 401(k) money to buy other securities — until Oct. 17, 2001, when Enron "locked down" employee accounts. Lawsuits against Enron allege that company executives — aware of impending disaster — sold off their Enron stock but denied employees the opportunity to do so.

At the end of 2000, about 62 percent of the company's 401(k) assets consisted of Enron shares. Employees and retirees saw the value of their retirement accounts plummet as Enron stock prices fell from \$90 in August 2000 to under \$1 a share last December.

Many experts believe ERISA's rules should be expanded to cover defined-contribution plans such as 401(k) plans.

ERISA requires all retirement plans to operate for the "exclusive benefit" of participants and their beneficiaries. Thus, plan sponsors must know and understand investment laws and principles, devote ample time and attention to administering the plan, prudently diversify plan investments and avoid conflicts of interest in investment decisions.

2001 Tax Reminders

Income-tax deadline. The federal filing deadline for calendar-year taxpayers is April 15, 2002.

Business mileage. The standard rate for operating your business vehicle (car, van, pickup or panel truck) has been raised to 34-1/2 cents per business mile.

Capital gains. The 10 percent capital-gain rate has been reduced to 8 percent for "qualified five-year gains."

Section 179 equipment. You can now expense (rather than depreciate) up to \$24,000 for new equipment put in service during 2001 (up from \$20,000 in 2000). There are certain restrictions. The equipment must be used for business more than half the time, for example, and only \$3,060 of the cost of a business auto is eligible for the deduction.

Health-insurance deduction. If you're self-employed, you can deduct 60 percent of your 2001 health-insurance expense on the front of Form 1040  even if you don't itemize deductions or otherwise qualify for the medical deduction. The deductible amount will rise to 70 percent next year.

Disaster relief. If your business  regardless of location  was directly affected by the Sept. 11 terrorist attacks, you might be able to postpone "certain tax deadlines," according to the IRS. To find out of you qualify for postponements, or for answers to other questions related to Sept. 11, e-mail [corp.disaster.relief@irs.gov](mailto:corp.disaster.relief@irs.gov).

Free advice that's worth something. Order up to five free copies of Small Business Guide, CD-ROM 2002 from the IRS. You can request your copies online at [http://apps.irs.gov/prod/bus\\_info/sm\\_bus/smbus-cd.html](http://apps.irs.gov/prod/bus_info/sm_bus/smbus-cd.html) or by phone at 800-829-3676. Ask for IRS Publication 3207.

The guide contains not only tax information, forms, instructions and publications, but also startup advice and other "valuable business information from a variety of government agencies, non-profit organizations, and educational institutions."

An editor since the age of 6, when she returned a love letter with corrections marked in red, Mary Campbell founded Zero Gravity in 1984 to provide writing, editing, marketing and other services to small businesses. Her presentations and workshops address small-business topics from Web sites to business writing. An editor of and contributor to dozens of publications (books, journals and newsletters), she is co-author  with her sister, Pipi Campbell Peterson  of the second edition of Ready, Set, Organize! A Workbook for the Organizationally Challenged (JIST Publishing, 2001). Please e-mail her your comments, questions and suggestions at [whywalk@about.com](mailto:whywalk@about.com). Small Business Builder is published every other Wednesday.

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