CONTRIBUTION TIMELINESS: WHY ADVISORS SHOULD CARE

In retirement plan administration, contribution timeliness is foundational work that protects participant savings and shields sponsors from liability. Contribution timeliness is important for both employee deferrals and employer contributions, including matching and nonelective contributions.

The Rules at a Glance

Employee Elective Deferrals and Loan Repayments. Elective deferrals and loan repayments become plan assets on the earliest day they can reasonably be segregated from employer assets. They must be deposited as soon as administratively feasible, but never later than the 15th business day of the following month. Plans with fewer than 100 participants at the beginning of a plan year have a seven-business-day safe harbor. A facts and circumstances rule applies to larger plans (often 1-5 business days). Late deposits are prohibited transactions requiring correction with lost earnings, Form 5330 excise tax (generally 15% of the amount involved for each year, with a potential additional excise tax if not timely corrected), Schedule H reporting, and often VFCP correction.

Employer Contributions (Match and Nonelective). Key deadlines for taxable employers include:

- Tax deductibility (Section 404). Deposit by the employer's tax-return due date, including extensions.
- Annual additions limit (Section 415). To count for the prior limitation year, contributions generally must be allocated/credited to the prior year under the plan's terms and actually made no later than 30 days after the tax-return due date with extensions.
- Plan document & safe harbor rules. Plan documents may require specific timing (e.g., matching contributions contributed each payroll or true-ups by a set date). Safe harbor nonelective contributions must usually be funded by the last day of the following plan year.

Why Advisors Should Care

Contribution delays risk qualification failures, prohibited transaction issues, and fiduciary breach claims. Advisors can add value by helping ensure contributions are timely made, thus helping plan sponsors avoid costs, compliance issues, and participant complaints.

How Advisors Can Help

- Provide plan sponsor education regarding contribution deadlines and best practices.
- Provide a year-end checklist to help clients remember the timing rules.
- If errors occur, guide clients through VFCP for deferral issues and EPCRS for employer-side operational failures, with full documentation.

Your proactive guidance on contribution timing can help plans stay compliant, and sponsors and participants happy.

REMINDERS:
• **April 1, 2026**: Deadline for first required minimum distributions for participants with a 2026 required beginning date.
• **April 15, 2026**: Deadline for corrective distribution for 2025 excess elective deferrals under Section 402(g).
• **April 15, 2026**: Deadline for employer contributions to be eligible for prior-year deductibility if the employer's tax return due date is April 15 and no extension is used.
• **April 30, 2026**: Annual Funding Notice deadline for many defined benefit plans.

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