EMPOWERING EMPLOYEES THROUGH 401(K) EDUCATION:

A STRATEGIC ADVANTAGE FOR EMPLOYERS

In today's workplace, offering a 401(k) plan has become a standard part of employee benefits. But simply making a retirement plan available isn't enough.

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For employees to truly take advantage of it, they need to understand how the plan works, why it matters and how to use it effectively. Correct Capital Wealth Management noted in a 2025 blog post that investing in employee education regarding 401(k) plans can dramatically improve participation, boost financial confidence and support stronger long-term retirement outcomes.

Many employees recognize that a 401(k) is designed for retirement savings, yet they often lack a deeper understanding of its key components. Concepts such as pre-tax contributions, employer matching and compound growth can feel abstract or intimidating without clear explanation. When these ideas are broken down in simple terms, employees are far more likely to contribute consistently and make informed decisions about their financial futures.

Research reinforces the value of education. Studies from Vanguard and SHRM show that companies offering ongoing 401(k) education see higher enrollment and contribution rates. Education reduces uncertainty; when employees understand their options, they feel more confident participating and are better prepared to make smart financial choices.

Still, even with a strong plan in place, many employees hesitate to enroll or contribute enough. Common barriers include fear of choosing the wrong investments, confusion about tax implications or the belief that retirement is too distant to prioritize. Others may feel overwhelmed by financial terminology or the enrollment process itself. A thoughtful, well-designed education program can address these concerns and empower employees to take action.

Encouraging participation doesn't require a complete overhaul of your benefits strategy. Small, practical steps can make a meaningful difference. Explaining the employer match in straightforward language, showing how contributions affect each paycheck and offering tools like financial calculators or one-on-one advisor sessions can help demystify the process.

These efforts make the plan feel more accessible and relevant to employees at every career stage.

The most effective 401(k) education programs are ongoing, easy to access and tailored to the diverse needs of the workforce. These may include workshops, webinars, personalized Q&A sessions and content designed for employees at different life stages—from those just starting their careers to those nearing retirement. Visual aids, online resources and a designated HR or advisor contact can further enhance the learning experience.

Importantly, the benefits extend beyond individual employees. Employers also gain from a more financially literate workforce. Higher participation rates lead to stronger retirement readiness, which boosts satisfaction and retention. Employees who feel financially secure tend to be less stressed, more productive and more committed to their organization. Additionally, a well-informed workforce reduces compliance risks and strengthens the overall benefits package, making the company more competitive in attracting top talent.

Launching a 401(k) education program doesn't have to be complicated. Start by assessing employees' current understanding through surveys or informal conversations. Offer resources in multiple formats—both digital and in-person—and consider partnering with a fiduciary advisor to provide expert guidance. Tailor your messaging to different age groups and career stages, and keep the conversation going with regular updates and follow-ups.

Ultimately, the goal is not just to offer a retirement plan, but to ensure employees know how to use it effectively. With a strong education strategy, companies can build a more financially confident workforce—one that's both engaged in the present and prepared for the future.

Source: Correct Capital Wealth Management – The Importance of Employee Education 401(k) Plans. https://correctcap.com/blog/the-importance-of-employee-education-401k-plans/

Form 5500: All-In-One Oversight, Transparency and Protection

Form 5500 exists to create a single, annual public report on employee benefit plans. With filings made publicly available through the DOL, its core purpose is to contribute to broader transparency in the employee benefits system and protect plan participants and beneficiaries—and the public interest—from mismanagement, fraud, underfunding and related risks. In this way, regulators, researchers, participants and the general public alike are given the capacity to scrutinize plan funding, operations, service providers and fiduciary conduct, while also monitoring trends in plan design, funding and compliance across the retirement and welfare plan landscape.

Regulatory Oversight and Enforcement

Form 5500 functions as a unified annual reporting system for federal regulators. In filing a single standardized return, plan administrators supply required information to the Internal Revenue Service, the Department of Labor (DOL), and, for defined benefit plans, the Pension Benefit Guaranty Corporation (PBGC). This centralized approach allows each agency to enforce its respective statutes—tax qualification rules, ERISA fiduciary standards and PBGC funding requirements—without duplicative filings. In most cases, completing Form 5500 satisfies the plan's annual reporting obligations to all three parties.

These agencies can then rely on Form 5500 filings as a key screening and investigative tool. The data provided may be used to identify noncompliance, set audit and enforcement priorities and coordinate enforcement actions or penalties. Irregularities in Form 5500 data (such as inconsistent financial data, missing audits or unanswered compliance questions) frequently trigger follow-up inquiries and can lead to enforcement actions if violations are found.

Fiduciary Accountability

The Form 5500 collects detailed information needed to assess fiduciary compliance and operational integrity. This includes data on plan finances and investments, service providers and compensation arrangements, insurance contracts, fidelity bonding, reportable transactions and independent auditor reports. This breadth of disclosure allows regulators to identify red flags such as conflicts of interest, inaccurate asset valuations and prohibited transactions.

This reporting regimen imposes ongoing accuracy responsibilities on plan administrators. Plans must maintain supporting documentation for reported information and correct misstatements when discovered—often through amended Form 5500 filings. Where errors affect participant benefits, regulators may require restoration of participant accounts or other remedial actions, with those corrections then reflected in the Form 5500 record.

Participant Protection

Most importantly, the Form 5500 disclosure system serves to protect plan participants and their beneficiaries. ERISA grants participants the right to review plan documents and the plan's latest annual report—including the Form 5500, which contains information about plan finances, service-provider compensation, audit findings, actuarial assumptions, funding status and reported losses or irregularities.

This disclosure framework enables participants to understand how their plan operates, how assets are invested and whether the plan appears financially sound. By making this information accessible, the Form 5500 supports informed participant oversight and reinforces the accountability of plan fiduciaries.

A Final Look at Form 5500

Form 5500 is a statutory, public accountability tool at the heart of ERISA's enforcement framework, designed to assist both participants and regulators in identifying plan noncompliance. This commonly includes:

- **Highlighting missing fidelity bonds or fraud:** The form requires disclosure of fidelity bonding and losses due to fraud or dishonesty. Failures or irregularities in these disclosures often trigger regulatory attention and potential civil or criminal consequences.
- **Requiring audits for large plans:** Large plans must attach an independent qualified audit report. To regulators, missing or deficient audits are a significant enforcement red flag.
- **Correcting misvalued assets and restoring benefits:** When asset valuation errors result in improper benefit payments, Form 5500 filings help regulators identify the issue, which will require corrections, amended filings and/or restoration of participant accounts.

By combining transparency with actionable data, these filings provide the practical mechanism through which fiduciary conduct, plan funding, service-provider relationships and fraud are monitored and policed. In short, Form 5500 is one of the primary ways ERISA protections are made real for plan participants and beneficiaries.

Correcting Retirement Plan Overpayments

Overpayments from qualified retirement plans to plan participants are among the most common—and most sensitive—administrative errors encountered by plan sponsors and fiduciaries. They often arise quietly: calculation mistakes, misapplied plan terms, delayed data updates or vendor processing errors. Once discovered, however, an overpayment demands immediate and careful attention. Left uncorrected or handled improperly, it can jeopardize plan qualification, create fiduciary exposure and frustrate participants who reasonably relied on the funds they received.

Federal correction frameworks now provide plan sponsors with more flexibility than in the past, particularly under the IRS Employee Plans Compliance Resolution System (EPCRS) and changes introduced by the SECURE 2.0 Act. Understanding how these rules operate in practice is essential to resolving errors in a way that is both defensible and equitable.

The moment an overpayment is identified, the plan administrator should:

- Stop the error from continuing
- Bring future payments into alignment with the plan's actual terms
- Complete a thorough review of what occurred to determine:
    - When the overpayment began
    - The amount overpaid
    - Whether earnings must be calculated
    - How the funds were distributed (which can drive the available correction options)

If the plan intends to recover the overpayment, written communication with the recipient is required. These communications should be measured and factual, avoiding language that could be perceived as accusatory or misleading. Retaining proof that the notice was delivered is an essential part of the compliance record. The notice should:

- Explain that an overpayment occurred
- Identify the amount involved
- Describe the options available for correction
- Clarify that the overpaid amount is not eligible for rollover, even if it was previously treated that way, and explain the consequences of inaction

In most cases, EPCRS views the return of the overpayment—along with any associated earnings—as the preferred outcome. When an overpayment has been rolled into an IRA or another plan, it may be possible to work directly with the receiving trustee to return only the excess amount. Regardless of the method chosen, fiduciaries must be able to demonstrate that they took reasonable steps to recover the funds, even if those efforts ultimately prove unsuccessful.

In some defined contribution plan situations, EPCRS allows overpayments to be resolved through retroactive plan amendment rather than direct recovery. This approach can be particularly useful where recovery would be impractical, inequitable or disruptive, but it is tightly constrained. Used appropriately, however, it can provide a clean resolution with minimal participant friction.

Not every overpayment must be recovered. EPCRS and related guidance allow limited discretion to forgo recovery of de minimis amounts or where the cost and hardship of recovery would clearly outweigh the benefit. These decisions should never be casual. The rationale for not pursuing recovery, along with the supporting facts and applicable thresholds, should be documented with the same care as an active recovery effort. Where an unrecovered overpayment harms the plan or other participants, the employer or another responsible party is often required to restore the plan, underscoring the importance of evaluating downstream impacts.

Tax reporting and plan filings are another critical—and often overlooked—aspect of overpayment correction. The tax consequences depend heavily on timing. Overpayments repaid in the same year generally are not treated as taxable distributions, while repayments in later years may require amended Forms 1099-R and careful coordination with the participant. Overpayments targeted for recovery should not be reported as eligible rollovers. Similarly, if corrections affect plan financial statements, distributions or asset balances, an amended Form 5500 may be required, particularly for audited plans.

Across all of these scenarios, documentation remains the foundation of a defensible correction. Calculations, participant notices, correspondence with trustees, amended filings, and committee or board minutes all tell the story of how the plan identified the error, evaluated its options, and acted prudently under the circumstances. In audits or examinations, that story often matters as much as the technical correction itself.

Ultimately, correcting retirement plan overpayments is less about finding a single "right" answer and more about applying approved correction principles thoughtfully and consistently. By acting promptly, communicating clearly, coordinating tax and filing obligations, and maintaining a robust correction record, plan fiduciaries can resolve even sensitive overpayment issues while protecting plan qualification and fulfilling their fiduciary duties.

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Upcoming Compliance Deadlines for Calendar-Year Plans

May 15

Quarterly Benefit Statement: Deadline to supply participants of participant-directed plans with the quarterly benefit/disclosure statement, including a statement of plan fees and expenses charged to individual plan accounts during the first quarter of 2026.

June 30

EACA ADP/ACP Corrections: Deadline to process corrective distributions resulting from failed ADP/ACP tests to avoid a 10% excise tax on the employer for plans that have elected to participate in an Eligible Automatic Contribution Arrangement (EACA).

July 29

Summary of Material Modifications (SMM): An SMM is due to participants no later than 210 days after the end of the plan year in which a plan amendment was adopted.

July 31

Form 5500 and Form 8955-SSA: Deadline to file forms without extension for calendar year-end plans.

Form 5558: Deadline to request an automatic extension for calendar year-end plans to extend due date for Form 5500 and Form 8955-SSA.