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# Bailey, Carr & Co.

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CERTIFIED PUBLIC ACCOUNTANTS

Dear Friends,

On January 13, 2010 the US Department of Labor announced publication of a final rule to protect employee contributions.

Currently, this rule applies to all qualified plans. It states that employers of all sizes must transmit employee contributions to pension plans as soon as they can reasonably be segregated from the general assets of the employer, but these funds must be deposited with the plan within seven (7) business days of receipt or withholding.

This rule applies to all employee contributions. The employer contributions are still due under the existing rules. In other words, for clarification, this means that if you pay an employee on Friday and the employee withholds monies to go into a 401(k) plan, those funds must be deposited within seven (7) banking days. Seven banking days would be the second Monday after the withholding.

Our recommendation is that you try to make sure that you pay them within five (5) days or by the following week.

One other caution is that while this rule is only for qualifying plans, our estimation is that this will trickle down and it will eventually apply to companies with all plans including SIMPLE, SARSEP and IRA plans.

If you have any questions, please do not hesitate to contact us. This is an important regulation as it went into effect immediately.

Very truly yours,

Bailey, Carr & Co., CPAs