

Report On  
USA-based Retirement Plan and Its Investment Performance by an  
Outsourcing Company Datapath Ltd.

By

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19104100

An internship report submitted to the Faculty of Business Administration in partial  
fulfillment of the requirements for the degree of  
Bachelor of Business Administration (BBA)

Faculty of Business Administration  
Brac University  
[Month] 2023

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## Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

**Student's Full Name & Signature:**

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**Md. Sazid Hossain**

19104100

**Supervisor's Full Name & Signature:**

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**Mr. Mahmudul Haq**

**Associate Professor**

**Brac Business School**

## Letter of Transmittal

Mr.Mahmudul Haq

Associate Professor,

Faculty of Business Administration

BRAC University

66 Mohakhali, Dhaka-1212

Subject: Submission of internship report on an USA-based Retirement Plan by an Outsourcing Company Datapath Ltd.

Dear Sir,

It is a great pleasure to present the internship report titled USA-based Retirement Plan by an Outsourcing Company Datapath Ltd. which was assigned to me as a partial requirement for the completion of Bachelor of Business Administration degree. It is a pleasure to work for a leading organization in Bangladesh and to acquire a thorough understanding of the loan process and monitoring methods. Throughout the study, I have made every effort to include as much material and pertinent concerns as feasible and to adhere to the instructions you have provided.

I'm grateful to you for giving me advice and helping me along the way as I worked on this report. I would greatly appreciate it if you could spare a moment to go over the report and provide feedback on my performance.

Sincerely yours,

---

Md. Sazid Hossain

Student ID : 19104100

BRAC Business School

BRAC University

Date: Month Day, Year

## **Non-Disclosure Agreement**

This agreement is made and entered into by and between Datapath Ltd and the undersigned student at Brac University.....

## Acknowledgement

I'd like to exhibit my deepest gratitude to everyone who made it possible for me to finish this report. First, I want to thank the All-Powerful Allah for giving me the ability to work hard. I'm also thankful to my parents, who have given me everything I need since I was a child.

The report title as named **USA-based Retirement Plan by an Outsourcing Company Datapath Ltd** has been prepared to fulfill the requirement of my BBA degree. During the preparation of this report, I am extremely lucky to have gotten the most honest direction, supervision, and cooperation from numerous individuals.

Several individuals contributed to the creation of this paper. I would like to thank my academic supervisor for the internship programmed, Mr. Mahmudul Haq, Associate Professor at BRAC Business School - BRAC University, for allowing me to prepare this report and for his diligent monitoring. In addition, he gave me with essential counsel and direction for the preparation of this report.

I would like to express my gratitude to Data Path Ltd's workflow department manager SAIDUR RAHMAN and HR manager KH. Fzale Rabbi for their assistance and suggestions in preparing this report. I would also want to extend my gratitude to EHSANUL BARI, Team Leader of TAX RETURN at DataPath, who provided me with all the necessary training and assisted me much in resolving issues I had throughout my internship.

Finally, I'd want to thank my intern colleague for their cooperation and candid suggestions.

## Executive Summary

The government of the United States takes protecting the rights of the elderly and guaranteeing their financial stability in retirement extremely seriously. In order to give retirement benefits to its employees, businesses must adhere to regulations established by the Internal Revenue Service and the Department of Labour. Furthermore, the business might enjoy tax benefits on its earnings provided the retirement plan is administered in line with Internal Revenue Service and Department of Labour rules. The plan will be disqualified and subject to fines if it doesn't comply with the regulations.

This report evaluates the performance and risk assessment of a 401(k) plan over the years 2015-2022. The analysis includes annual return, Compound Annual Growth Rate, Mean return, and standard deviation, which reveals that the plan's growth rate was sufficient from 2015 to 2019, but it faced a decline in 2020 and 2021 due to the COVID-19 pandemic. However, the plan's growth rate started to improve in 2022, indicating positive long-term prospects. The report also identifies common issues faced by the 401(k) industry, including systematic and unsystematic risks, inequality, and lack of investor knowledge. One major problem is investors' tendency to invest too conservatively or too aggressively. The report suggests that investment firms should provide their clients with more information on the investing process to reduce misunderstandings and distrust. Additionally, businesses can improve their bottom lines by decreasing costs and expanding their consumer bases. Overall, this report serves as a useful resource for financial firms looking to enhance the effectiveness of their 401(k) offerings and attract new clients. Here, we also discuss the plan-making process, including the phases that a plan begins with and takes to complete. The performance and risk of a plan are then also examined in chapter 4. We determine the results of the calculation and offer some recommendations for improving the plan.

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## List of Acronyms

RTS	Ready To Sent
RCF	Review the Census file
PAB	Participant account balance
AGR	Annual Growth Rate
SSD	Sum of squared deviations

# **Chapter 1**

## **Overview Of the internship**

### **1.1 Student Information**

Name: Md. Sazid Hossain

Id: 18104287

Major of Specialization: Finance

Minor: Computer information System (CIM)

### **1.2 Internship Information**

Company Name: Datapath Ltd

Company Address: Level # 10, Rupayan Shopping Square, 1219 Sayem Sobhan Anvir Rd, Dhaka 1219

Period: There will be a four-month internship. Internships provide paid work experience in exchange for training and the opportunity to put learned skills into practice. The total framework is planned to be finished in 4 months.

Start Date: 3rd January 2023

End Date: 3rd May 2023

#### **1.2.1 Internship Company Supervisor's Information**

Name: Saidur Rahman

Designation: Senior Manager

Email Address: [Saidur@data-path.net](mailto:Saidur@data-path.net)

#### **1.2.2 Job Scope**

As soon as I started my internship at Datapath, I immediately felt a greater sense of responsibility and took my responsibilities and activities more seriously. At the time when I was a student, I only took responsibilities for myself. To be more specific, if I did not study well, it would only have an effect on myself, and no one else would be held responsible or suffer as a result of that. On the other hand, in corporate life you have to take your and

organization other responsibilities. In the business world, if you don't execute your job correctly, it might affect the success of the entire team, and you will be held responsible for your actions. As an illustration, I made a mistake in the configuration that I used for the tax report, which caused problems for the whole team. During my time as an intern, I recruit for the tax return and workflow departments. Since I started working with this Workflow team, I've gained knowledge about seven different kinds of projects, all of which are quite significant for all of the departments and clients. I am responsible for completing a variety of tax reports, tax returns, and tax reports. Our more experienced coworkers trained us on how to properly report and calculate our taxes before we began. The majority of the work is carried out through software and websites established by companies.

During this internship period I have so many responsibilities they are-

- Everyday Check my dailylog. I have to check it every day so I can keep track of all the important tasks and notes and finish them as soon as possible.
- Review the Census file and add it to the Relius software. Here, I have to look at the client's Excel file and make sure that all of the information and calculations are right. If any of the information is wrong, I have to fix it or send it back to the client to be filled out again.
- Prepare the 5500 form, file it, and send it to the review log. Once it has been reviewed, I have to send it to the client and update my review log.
- Process the 1099R and B1 form and send it for review. Here, I have to give all the information, including the clients' wages and tax amount.
- Using Excel and Relius, I must generate an 8955SSA report and finish the file with the assistance of Fort William. After reviewing the file, I must submit it to the client.

After completing all tasks and worklogs for the day, I must update my daily work update spreadsheet and submit it to my direct supervisor.

## **1.3 Internship Outcomes**

### **1.3.1 Student's contribution to the company**

My work for the firm as an intern was focused and direct. It's evident that interns aren't trusted with anything too important or too complicated. Yet, this internship program is structured in such a way that we were exposed to certain fundamental duties and tasks.

Interns work under the supervision of various team members. So, each intern is responsible for a unique set of tasks. The leader of the group is responsible for assigning responsibilities. Because I already knew how to use Relius for the fundamentals, I received comprehensive instruction on how to input and verify census data and fill out forms 1099R, 5500, and 8955SSA. Initially, we meticulously completed the 1099R forms that were sent to us. When our instructor and other senior staff members approved the final product, it was forwarded to the customer. In the end, we completed the Census and compared the results in Relius software with real-world projects.

### **Benefits to the student**

This internship was my first experience in the business world as a student. The internship has helped me grow professionally and expand my technical knowledge. The training I received helped me improve both my soft and hard abilities. I think I've picked up a lot about using Excel and the American way of filing taxes.

### **Time Management Skills**

This term is common parlance amongst us. This word has a new meaning for me after perusing this. I need to make sure that I don't break from my regular work routine and that I use each and every hour wisely. Timeliness in turning in assignments and other work is critical. We are continually working under strict deadlines; thus, it is imperative that you arrive on time. We must inform our superiors of our tardiness or of any strange behavior in serious circumstances.

### **Technical Skills**

We were provided the tools and guidance to become proficient with Microsoft products on the first day of training. Those that are proficient with computer information systems will have a leg up. In addition, we were instructed in the usage of Excel and utilize it often in the course

of our work. As a result, I now feel more comfortable, productive, and in command when using Microsoft programs. While using Excel, we are exposed to a multitude of rules, functions, and short cuts.

## **Communication**

Communication is a significant obstacle for everyone in the workforce. It is difficult for me to readily adapt to a new workplace and communicate with the entire team and others. We must always keep in touch with other team members and occasionally contact clients. At University, I was an introvert and a shy person, but I now believe i can overcome these obstacles.

## **Problems/Difficulties (faced during the internship period)**

The problems that developed throughout our internship programmed were minor, but they nevertheless deserve attention.

### **Limitation of Software Uses**

A few software issues have arisen for me during my internship. Our department, for instance, has a reduced relius id allocation. Because of this, four of us have to share a single relius id, which slows us down considerably.

### **Poor server Connection**

Our server system frequently had outages, which was another persistent problem. It's not always possible to meet deadlines while working with remote-based software. As a result, our report will be late.

## **Recommendations**

1. As most of our work relies on the relius software, I believe that the number of relius ids should be increased. I believe it's time to raise the number of relius ids as the number of employees continues to grow.
2. The software team can take some initiative so that the server works properly.

## Chapter 2

### Organization Part

#### Background Of the Organization

It's crucial that students put their theoretical knowledge to use in real-world situations. Internships are a great opportunity to put what you've learned in class into practice. Therefore, completing an internship is essential for BBA students. Internships in today's corporate world not only give students the opportunity to gain valuable work experience under supervision, but also to show that they have reached their full potential as professionals and as individuals. Students can use this program as a way to prepare themselves for the real world.

#### 2.2.1 History of The Organization

July Business Services has partnered with the Bangladeshi company Data-path Ltd. for outsourcing purposes. Jim Hudson and John Humphrey are the only shareholders of the corporation. The retirement planning industry in the United States is dominated by a few of firms, including July Business Services. In 2005, Data-path Limited set up a little operation in Uttara. At initially, just July's worth of maintenance work was paid for. Then, during the month of July, the organisation actively sought the most qualified candidates to fill open positions on the July Services team. Initially, there were less than 10 people working for the firm. There are now 70 fantastic permanent employees here.

Businesses may trust July Business Services for their retirement programme as well as other administrative service demands. Companies and financial institutions can approach us directly for individualized assistance. Our consulting services can help you get your idea off the ground and keep it going strong. We've been around for a while, and our list of happy clients includes startups as well as well-known international corporations. In 1995, when it initially opened its doors, it had no clientele and was sparsely equipped.

## 2.2.2 Organization: At a Glance

### FOUNDING PARTNERS:

In the early 1980s, while working towards his CPA certification, Jim Hudson began to specialise in retirement plans.

### Forming a Solid Team:

July's growth rate accelerated and the company acquired several new important workers and strategic alliances between 1996 and 2000. Key goals for the firm were completed during this time:

- Developed Foundation for Employee Culture
- Improved Efficiency of Service Delivery
- Implemented New Business Team
- Created Client Consulting Teams
- Created ERISA Consulting Team
- Created Dedicated Distribution Team
- Promoted Blake Willis to Partner & CAO
- Added and Developed Key Employees
- Improved Marketing & Sales Presence

## 2.2.3 VISION

‘Is to become the best retirement plan administrator in USA.’

### MISSION

Is to provide financial advisors and plan sponsors the power to choose the retirement plan solution that best meets the goals of business owners and their employees by delivering refreshingly responsive, unbiased, reliable plan design, administration, recordkeeping and consulting that encourages saving for retirement.

## 2.2.4 CORPORATE SLOGANS

The slogans of DataPath is Transform and Innovation.

### MANAGEMENT ORGANIZATION STRUCTURE

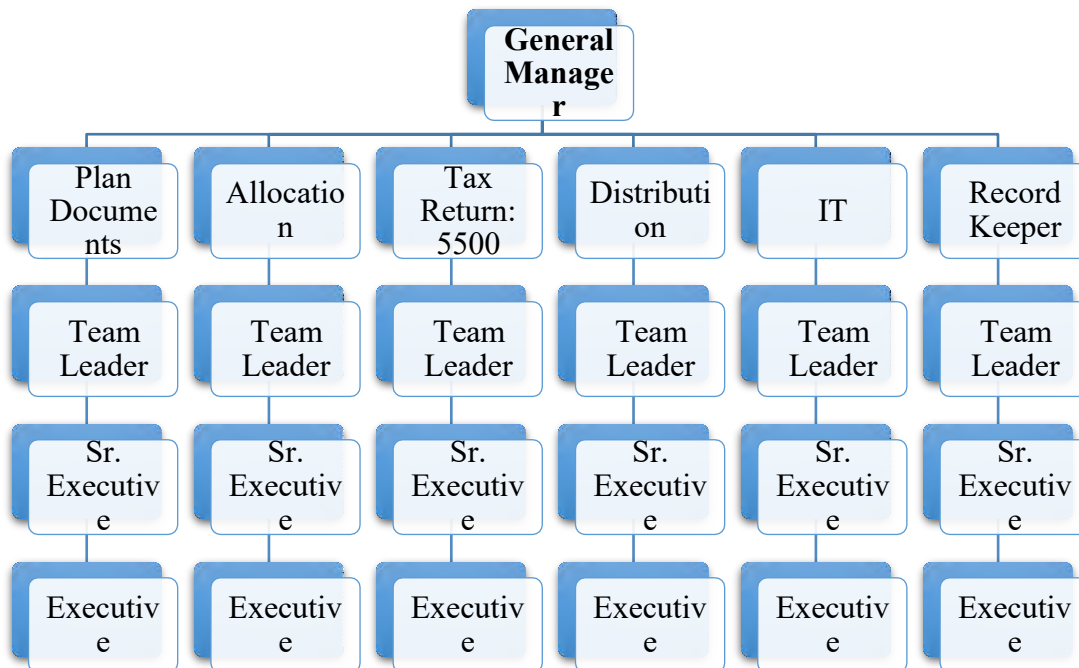


Figure 1- Organization Management Structure

### Team Of the Organization

**Sales:** They're the ones in charge of deconvertible 401(k) retirement policies and working with the HR department. They handle the representation of firm compliance data and develop sales offers.

**New Business:** They store information in a database and offer assurances that it may be retrieved. Everything we need to know about the company can be found in this section.

**ERISA Consulting:** Based on input from the sales and installation teams, this section creates the plan document. Documentation for profit-sharing, 401(k), and safe harbour plans, to name a few, can run to forty or more pages when included applicable regulations and norms. What they guarantee is that relevant data is forwarded to the correct divisions.

**Recordkeeping:** The department's responsibilities include keeping tabs on the plan's participants, their respective investment holdings, and the plan's gross cashflow.



**Accounting:** All of Data Path's monetary and accounting needs are met by this division. Stock records, compensation for representatives, and monetary clarification are some of the concerns at hand.

**Software:** This team creates the software the rest of the firm uses to function. Since Data Path is primarily a software development firm, this is an essential division. 401(k) Pension Program.

**Human Resource (HR):** The Human Resources department takes care of its employees and maintains a safe workplace.

**Distribution:** This office is in charge of distributing retirement fund assets to plan members. To execute their jobs and check if the money was sent correctly, they use a program called "Relius."

## 2.2.5 Methodology:

For this study, I consulted both primary and secondary sources for data. Initial Materials: Keeping an eye on the designated division. Direct interaction with the department's supervisors. Data collected from employees and individual reflections.

### Secondary Sources:

- IRS, RPF, and ERISA-related publications, anthologies, websites, etc.
- Prior reports have indicated efficiency.

From topic selection through final report writing, the research demands a systematic approach. To conduct the study, it is necessary to identify and collect data sources. They must be categorized, evaluated, interpreted, and presented systematically, and essential points must be identified.

## 2.3 Industry Analysis

### 2.3.1 Outsourcing

The term "outsourcing" is used to describe the practise by which a firm contracts out a portion of its operations to another organisation or individual. Through outsourcing, efficiency can be increased while expenses are decreased. Bangladesh is home to Data Path Ltd, an outsourcing firm. In the United States, the TPA market is quite complex. The difficulty of the work necessitates constant hiring of specialists. It would be costly for TPA businesses to pay this staff a monthly salary of \$10,000. This is why a growing number of American corporations are

exporting jobs to developing nations like Bangladesh. Bangladesh is a developing nation, thus its labour costs are lower than those of developed nations. This has resulted in an increase in employment prospects for the young people of Bangladesh. Data Path has been around for a long time and is an established leader in the TPA outsourcing sector.

### **2.3.2 Size/Trend/Maturity**

The outsourcing market is expanding at an astounding rate. The potential for developing nations like Bangladesh to succeed in this field is enormous. Additionally, the TPA sector in the US is prosperous. No one in the past foresaw how important outsourcing would become. However, things appear to have changed for the better recently. Many U.S. businesses today are laying off workers and outsourcing previously in-house tasks. In addition, Data Path added 5 more TPA clients in the past year and anticipates having more than 25 TPA clients by the conclusion of this year.

### **2.3.3 Technical factors**

The technical proficiency needed to succeed in this field is rather intricate. To succeed, one must learn to adapt one's technical abilities and computer efficiency. Even though there are many college graduates in Bangladesh, they lack the necessary skills to succeed in the business sector. In this industry, for example, we make use of specialized programmes that aren't typically taught in schools. Experts and technicians can cross-train one another to guarantee that all staff members are proficient in the use of these programmes.

### **2.3.4 Barriers To Entry**

The industry has moderate to high obstacles to entry. Investment capital is often required to break through entrance barriers and enter a new market. The remainder is contingent on the efficiency and competence of the workforce. To start an IT firm like this, you need to attract and retain talented individuals.

### **2.3.5 Supplier & Buyer Bargaining power**

In this market, there is little evidence of supplier and buyer bargaining power. Since we are selling our services to clients, they can be thought of as our buyers. Customers are charged based on how many plans are actually carried out. There are many TPAs, and the service is frequently lucrative, costing international clients \$250 to \$300 to complete a single plan.

### **2.3.6 Threat of New Substitutes & Industry Rival**

The only way this service could be replaced would be if a whole new company entered the market. Several high-ranking Datapath employees split off to found a competing firm called Fin Source.

India, Pakistan, and Sri Lanka are only a few examples of other developing nations that participate in this type of outsourcing. Unless they find a comparable service elsewhere for less money, the customers have no incentive to switch.

In Bangladesh, there may be few substitutes to worry about. Since many qualified people may soon be seeking employment in the 401(k) industry, competition is likely to become fierce.

## **2.4 SWOT Analysis**

### **Strengths**

A Safe and reliable information technology service.

Bangladesh's Economic Prosperity in the Long Term.

Making money through overseas transfer to Bangladesh.

Reputation earned over time with other TPA companies' clients.

### **Weakness**

Failure to Provide Adequate Software

Training new personnel from scratch is a lengthy process.

Inadequate website and marketing efforts.

Due to increased hiring, there is now a severe lack of available office space.

### **Opportunities**

Developing employment possibilities

Maintaining our global network of strategic alliances with leading companies abroad.

### **Threats**

The service industry in Bangladesh is not attractive or well-known.

Some established businesses in the area are expanding.

## Chapter 3

### A Solo Retirement Plan by Datapath

#### 3.1 Background Information

Datapath is a retirement plan based company. Here, we are working on different types of retirement plan. There are many types of retirement plan like solo plan, admin only plan, daily plan.

##### **Solo Plan**

For those who are self-employed or run a small business with no other workers than themselves and their spouse, a retirement plan known as a "solo plan" (or "Solo 401(k)" or "Self-Employed 401(k)") may be the best option.

Higher contribution limits may be possible under the solo plan compared to more conventional 401(k)s since the individual can contribute as both an employer and an employee. Starting in 2021, persons under the age of 50 can put away up to \$58,000 year into a single plan, while those beyond the age of 50 can put away up to \$64,500.

High contribution limits aren't the only perk of solo plans. Pre-tax contributions to a solo plan have the effect of lowering annual taxable income. Investment gains accrued inside the plan are also exempt from taxation until they are withdrawn in retirement.

In sum, the solo plan is a common choice for self-employed people and business owners who wish to save as much as possible for retirement without incurring too much tax liability.

##### **Admin Only Plan**

An Admin Only plan, also called a "Retirement Plan for Certain Employees" or a "Top-Heavy Plan," is a type of retirement plan that is meant to help the business owner and key employees of a company but not other employees.

In an Admin Only plan, only a small group of highly paid employees, usually the business owner and top executives, are allowed to participate and get contributions. Other employees aren't allowed to join the plan, so they don't get any benefits from it.

The plan is usually set up like a 401(k) or a profit-sharing plan, which are both defined contribution plans. The employer is the only one who makes contributions, and the plan has to

pass certain tests to make sure that the contributions made to key employees don't go over certain limits.

Admin-only plans can be a good choice for companies with a small number of key employees who want to save as much as possible for retirement. But the Internal Revenue Code has strict rules and regulations about them, and they may not be right for all businesses. To find out if an Admin Only plan is right for your business, you should talk to a qualified retirement plan specialist or financial advisor.

## **Daily Plan**

It is similarly comparable to an admin only plan, with the main differentiation being that it is worked on every month to keep the client's personnel information current on a daily basis. As a consequence of this, it assists in the processing of our daily plan and other tasks.

## **Process Step On a Solo Plan**

I'll talk about the Solo Plan process in this part of the report. This plan is made up of many parts. It finishes the whole plan step by step by working with different departments. Here, I describe it step by step-

## **Receiving Plan**

At the beginning of the process sales team receive the plan from the clients. Then, they contract with the client and ask his/her details and what he/she wants. Then we suggest him/her to contact with an advisor to verify their details. After that they go to a IRS certified Advisor and provide their all information like their income, working hour and other information. Based on the information of the client advisor suggest that which system or money market will be best for them and transfer it to us. After receiving this signal from the advisor sales team prepare an agreement form and send it to the July Business service.

## **Checking Plan Eligibility**

Installation team basically reviewed the all the information of the client and check it whether it's matched with category that it requires. There are so many requirements they are

- Solo plan should have certified advisor who suggest us to create plan.
- It should have also an Accountant.

- Eligibility in fund requirement.

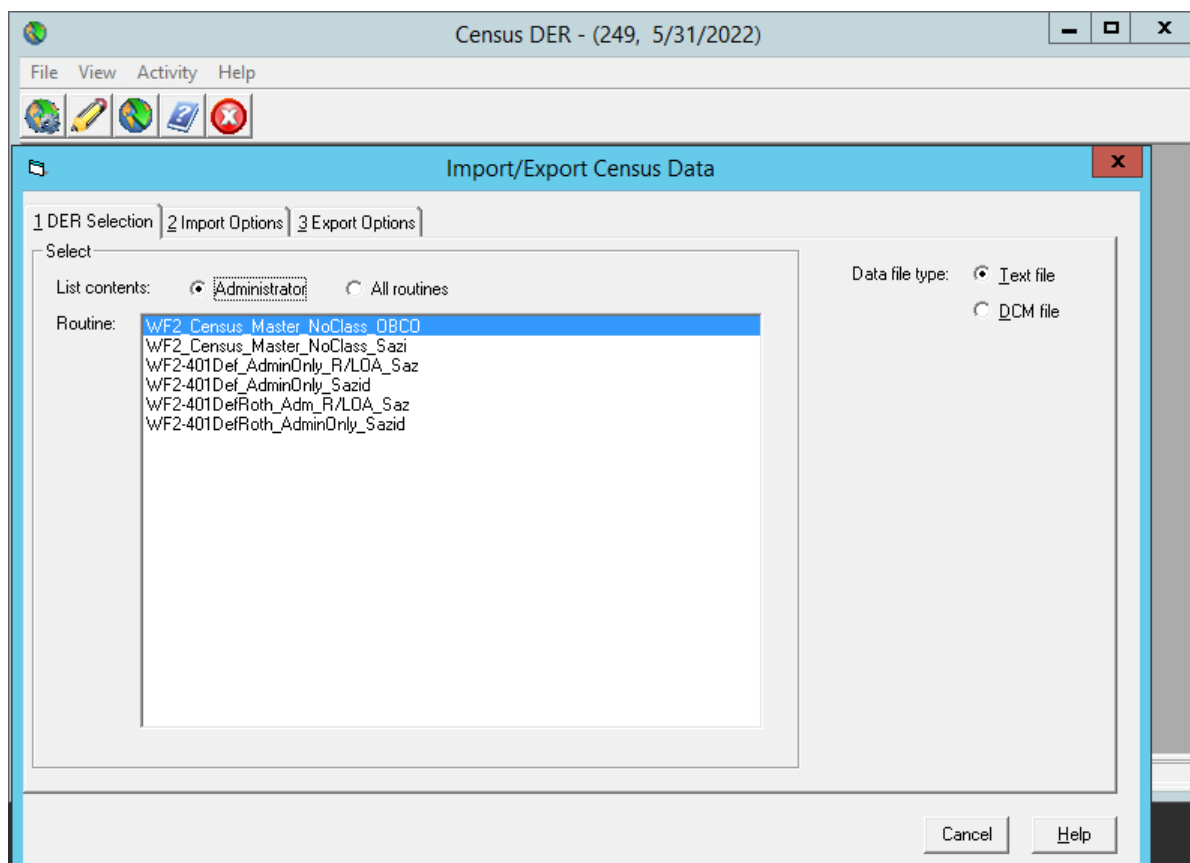
After all that checking installation team prepare system setup for the plan. They install all the necessary system in the plan so that all the team can work properly. In Solo plan it requires plan documents, tax return 5500 EZ.

## **Preparing Plan Documents**

In the Unify there is a Plan document inside the account folder. All the documents stored in this section. Basically, it stored the cycle 3 plan document. Where we can find the signed copy of the plan document, Year end annual data. In the annual data it contains all the things of the plan. It also holds Amendment file. Amendment means there are some participants who have changes on their information, it may be name of the company, SSN, address, sponsor name. Plan modifications are commonplace in response to shifts in tax policy, in the nature of the firm, or to address a flaw in the original plan. It is usually straightforward to make adjustments by just revising the plan itself. The administrator of the plan is responsible for updating the summary plan description whenever the plan itself is changed. So, this signed amendment document also stored in this folder. Some other plan like Cash Balance plan, pension plan has other different plan documents.

## **Census Import**

We make plan documents for clients to make a proper tax report. To make this report and form we need clients SSN Code, date of birth, hire date, rehire date, termination date, address. We get all the information from Relius employee information part. For census purposes first we have to select our plan and then we have to select specific DER to import our specific CSV file. Then it creates a report file and store all the inputted information to its server. Sometimes we make mistake to our census file which also showed error in the DER. So that we can prepare our census CSV file properly and import it again in the relius. Making even a little mistake here could force us to start over. For a select few workers, it may be possible to manually correct certain problems. When there are many people involved, however, problems become extremely challenging to resolve. After this Census import accruals team started their work.



*Figure 2-Relius Export Import*

## Accruals

According to census data Accruals team work on this plan. They calculate the benefit of the plan based on factors such as their years of service, salary, and plan formula. In solo plan the return from the pension fund is pre tax income. The formula for calculating accruals in a Solo 401(k) plan is based on the contributions made by the employer and the employee, as well as any investment earnings on those contributions. The maximum contribution limit for a Solo 401(k) plan in 2023 is \$61,000, or \$64,500 if the participant is age 50 or older.

For the employer contribution, the maximum allowable contribution is 25% of the participant's compensation. For example, if the participant earns \$100,000 in compensation, the maximum employer contribution would be \$25,000.

For the employee contribution, the maximum allowable contribution is \$19,500, or \$26,000 if the participant is age 50 or older. The employee contribution is deducted from the participant's compensation before taxes.

Investment gains on 401(k) contributions produced to a Solo 401(k) plan also accumulate over a period of time and can boost the account's value.

## Allocation Return

Allocation return team prepare contribution report and trust accounting report. In contribution report they calculate the allocation compensation, profit sharing, salary deferral, forfeiture. At the biggining they calculate allocation compensation. Allocation Compensation calculation process are-

1. Asset-based fee: Allocation compensation = Asset Under Management x Fee percentage

For example, if an investment advisor charges a fee of 1% of AUM and manages a retirement plan with \$10 million in assets, the allocation compensation would be:

$$\text{Allocation compensation} = \$10,000,000 \times 1\% = \$100,000$$

2. Flat fee: Allocation compensation = Flat fee

For example, if an investment advisor charges a flat fee of \$5,000 for managing a retirement plan, the allocation compensation would be:

$$\text{Allocation compensation} = \$5,000$$

3. Performance-based fee: Allocation compensation = (Investment returns - Benchmark returns) x Performance fee percentage

For example, if an investment advisor charges a performance fee of 20% and the retirement plan earns investment returns of 10% while the benchmark returns are 7%, the allocation compensation would be:

$$\text{Allocation compensation} = (10\% - 7\%) \times 20\% = 0.6\%$$

**Profit Sharing calculation-** Profit sharing in the retirement industry refers to the distribution of a portion of the employer's profits to employees through a retirement plan. The formula for calculating profit sharing contributions to a retirement plan varies depending on the plan's provisions and the specific allocation method chosen by the employer.



1. **Pro-rata contribution:** Under this method, the employer contributes a percentage of each eligible employee's compensation to the plan. The percentage may be the same for all employees or may vary based on job level or other factors.

Formula: Contribution amount = Total eligible compensation x Pro-rata percentage

For example, if the employer contributes 5% of each eligible employee's compensation and the total eligible compensation for all employees is \$1,000,000, the contribution amount would be:

$$\text{Contribution amount} = \$1,000,000 \times 5\% = \$50,000$$

**Forfeiture calculation-** When an employee leaves their job, any employer or employee contributions they have not yet earned are considered "forfeitures" and returned to the retirement plan. The plan's administrative costs of the remaining members might be covered by the forfeited monies. The percentage of forfeitable funds in most plans is low, and in certain cases there may be no such funds at all.

Forfeiture allocation = (Participant account balance / Total account balances) x Total forfeitures

For example, if the total forfeitures in the plan are \$100,000 and the total account balances for all participants are \$1,000,000, and a particular participant has an account balance of \$50,000, their forfeiture allocation would be:

$$\text{Forfeiture allocation} = (\$50,000 / \$1,000,000) \times \$100,000 = \$5,000$$

**Salary deferral-** In the retirement industry, a salary deferral is a contribution made by an employee to a retirement plan that is deducted from their gross pay before taxes are withheld. The advantages of salary deferrals in retirement plans include:

1. **Tax savings:** By deferring a portion of their salary, employees reduce their current taxable income, which can result in lower income taxes.
2. **Retirement savings:** Salary deferrals are invested in the retirement plan, allowing the deferred amount to grow tax-free until it is distributed from the plan. This can help employees accumulate a larger retirement nest egg.

The formula for calculating salary deferrals in a retirement plan is straightforward:

$$\text{Salary deferral} = \text{Employee's gross pay} \times \text{Deferral percentage}$$

For example, if an employee has a gross pay of \$50,000 per year and elects to defer 10% of their salary to the retirement plan, the amount of their salary deferral would be:

$$\text{Salary deferral} = \$50,000 \times 10\% = \$5,000$$

At the end of the contribution report team calculate the company total of this employee and based on this report tax return team calculate their taxation return. Whenever they process this contribution report they prepare the clients Trust accounting report.

## Trust accounting Report

6:33 PM 2/23/2023 **TRUST ACCOUNTING REPORT**

Plan Name: Community Bank & Trust, Waco, Texas 401(k) Plan  
 Report Period: January 1, 2022 through December 31, 2022

	Community Bank & Trust # 152800 Owner: Plan	Total
<b>Beginning Balance (January 1, 2022)</b>	10,328,838.44	10,328,838.44
<b>Contributions</b>		
Total Contributions Received	650,047.55	650,047.55
Prior Period Contributions Received	(4,349.07)	(4,349.07)
Forfeiture Used to Reduce Contribution	6,422.57	6,422.57
Current Period Deposits in Transit	-	-
Current Period Contribution Receivable	-	-
<b>Total Contributions</b>	<u>652,121.05</u>	<u>652,121.05</u>
<b>Forfeiture</b>	(8,050.70)	(8,050.70)
<b>Income</b>		
Interest	3,657.49	3,657.49
Accrued Income	3,664.29	3,664.29
Prior Period Accrued Income	-	-
Other Income	211.07	211.07
Dividends	215,785.98	215,785.98
Capital Gain Allocation	66,158.05	66,158.05
Realized Gain / (Loss) on Sale of Assets	(186,454.01)	(186,454.01)
Increase / (Decrease) in Market Value	<u>(1,378,871.32)</u>	<u>(1,378,871.32)</u>
<b>Total Income</b>	<u>(1,255,848.47)</u>	<u>(1,255,848.47)</u>
<b>Expenses</b>		
Distribution Fees	(1,000.00)	(1,000.00)
Fees	(30,245.92)	(30,245.92)
Other Expenses	-	-
<b>Total Expenses</b>	<u>(31,245.92)</u>	<u>(31,245.92)</u>
<b>Transfers</b>		
Current Period Transfers	-	-
Rollover Contributions	-	-
<b>Total Transfers</b>	<u>-</u>	<u>-</u>
	(241,102.71)	(241,102.71)
<b>Distributions</b>		
<b>Ending Balance (December 31, 2022)</b>	<u>9,444,711.69</u>	<u>9,444,711.69</u>
<b>Total Gain / (Loss)</b>	<u>(1,287,094.39)</u>	<u>(1,287,094.39)</u>
<b>Reconciliation</b>		
<b>Balance per Allocation Reports</b>	9,444,711.69	9,444,711.69
<b>(Receivable) / Payable</b>		
Forfeiture Balance	1,628.13	1,628.13
<b>Balance per Investment Statements</b>	<u>9,446,339.82</u>	<u>9,446,339.82</u>
Prior Year Contribution Receivable	-	-
Current Period Deposits in Transit	-	-
Current Period Contributions Receivable	-	-
<b>Total Receivable</b>	<u>1,628.13</u>	<u>1,628.13</u>
<b>Balance per Investment Statements</b>	<u>9,446,339.82</u>	<u>9,446,339.82</u>

*Figure 3: Trust Accounting Report*

Trust accounting report team showed their calculation of contribution report amount and forfeiture. Then they calculate the total income, expenses and check if their any transfer amount in the company. After calculating all the the part of trust accounting allocation team prepare ending balance of the plan. Then they prepare the total receivable of the plan. These two reports are major calculation part of the plan. Whenever they complete this two-report allocation team assign it to my Tax return team.

## **Tax Return and Calculation**

It's a major part of a retirement plan. Here, we have to calculate how much tax participant have to pay for their investment earning. There are different process for different types of plan. We prepare 5500 Ez, 8955SSA, Form 5500 tax form where we prepare a balance sheet with beginning balance, services fee, income, transfer fee, rollover fee and ending balance. There are also requirement for preparing this tax form. For example, participant accounts balance have to be \$250000, otherwise they are not eligible for the tax payment.

**Tax-deferred contributions:** Contributions made to a traditional 401k plan are tax-deferred, meaning that they are not subject to income tax until they are withdrawn. The formula for calculating the tax-deferred contribution amount is:

$$(\text{Contribution amount}) \times (\text{Marginal tax rate}) = \text{Tax-deferred contribution amount}$$

For example, if an individual contributes \$5,000 to their traditional 401k plan and their marginal tax rate is 22%, the tax-deferred contribution amount would be:

$$\$5,000 \times 0.22 = \$1,100$$

So the individual would be able to defer \$1,100 in taxes by contributing \$5,000 to their 401k plan.

**Early withdrawal penalties:** When someone takes money out of their regular 401(k) plan before they are 59 and 12, they may have to pay income tax on top of a 10% early withdrawal penalty. Total tax and penalty are computed using the following formula:

$$(\text{Withdrawn amount}) \times (\text{Marginal tax rate} + 10\%) = \text{Total tax and penalty amount}$$

For example, if an individual withdraws \$10,000 from their traditional 401k plan before age 59 ½ and their marginal tax rate is 22%, the total tax and penalty amount would be:

$$\$10,000 \times (0.22 + 0.10) = \$3,200$$

So, the individual would owe \$3,200 in taxes and penalties on the \$10,000 withdrawal.

After completing the tax form, we send it to the client and requesting them to check the form and signed to the form.

## **Distribution**

At the end of the all-process Distribution team send the investment profit to the client account and check the SSN number and other information whether it send properly. After the verification process Distribution team Send a confirmation mail to client's email and update all the transaction record to the Relius.

## Chapter 4

### Performance and Recommendation Of this Solo Plan

#### 4.1 Performance Analysis of Retirement Plan

Firstly, we analysis the annual growth rate of a retirement plan. As I already mentioned that an advisor suggests us which money market will be the best option for this plan. According to the suggestion we invested in a money market like mutual fund, U.S. Treasury Bonds, Corporate Bonds. For this selected plan we select mutual fund. This plan begins from 2015 and 2015 its beginning balance is \$8500000, ending balance in 2022 is \$9444711.69.

Compound Annual Growth Rate =  $(\text{Ending Value} / \text{Beginning Value})^{(1 / \text{Number of Years})} - 1$

$$\begin{aligned}
 &= ((\$9444711.69/\$8500000)^{(1/7)}) - 1 \\
 &= 1.1117^{(1/7)} = 1.0217 \\
 &= 1.0217 - 1 \\
 &= 0.0217 = 2.17\%
 \end{aligned}$$

Compound Annual Growth Rate value of 2.17% means that an investment has experienced a negative average annual growth rate over a specific period of time. A negative CAGR value suggests that the investment has not performed well over the period, and the investor may have lost money.

Now, we will calculate the annual return of this plan,

$$\begin{aligned}
 \text{2022 Annual Return} &= (\text{Ending Plan Value} - \text{Beginning Plan Value}) / \text{Beginning Plan Value} \\
 &= (9444711.69/10328838.44) / 10328838.44 \\
 &= 0.0009\% \text{ Per year}
 \end{aligned}$$

According to past record its previous annual return are-

2016 annual return = 2.2%

2017 annual return = 2.6%

2018 annual return = 3.1%

2019 annual return = 1.3%

2020 annual return = 0.0002%

2021 annual return = 0.0005%

$$\begin{aligned} \text{Mean return} &= 2.2\% + 2.6\% + 3.1\% + 1.3\% + 0.0002\% + 0.0005\% + 0.0009\% \\ &= 9.6326\% / 7 = 1.375\% \end{aligned}$$

Now, Year 1: Deviation = 2.2% - 1.375% = 0.825%

Year 2: Deviation = 2.6% - 1.375% = 1.225%

Year 3: Deviation = 3.1% - 1.375% = 1.725%

Year 4: Deviation = 1.3% - 1.375% = 0.075%

Year 5: Deviation = 0.0002% - 1.375% = -1.3748%

Year 6: Deviation = 0.0005% - 1.375% = -1.3745%

Year 7: Deviation = 0.0009% - 1.375% = -1.3741%

$$\begin{aligned} \text{Sum of squared deviations} &= (0.825\%)^2 + (1.225\%)^2 + (1.725\%)^2 + (0.075\%)^2 \\ &+ (-1.3748\%)^2 + (-1.3745\%)^2 + (-1.3741\%)^2 \\ &= 0.08161451 = 8.161451\% \end{aligned}$$

Standard deviation =  $\sqrt{8.161451\% / (7-1)}$

$$= 0.116599$$

So the standard deviation is approximately 0.116599, or about 11.66%. The standard deviation measures the amount of variability or volatility in the returns of an investment. This means that the returns are likely to fluctuate significantly from year to year. A higher standard deviation indicates a higher level of risk, as there is a greater chance of experiencing larger losses or gains in a given year. Other formulas that may be used in risk analysis in the 401k industry include Sharpe Ratio, Beta, and Value at Risk (VaR). These formulas can help investors and financial professionals to evaluate the risk of different investments and make informed decisions about their retirement portfolios.

## 4.2 Findings from the Analysis

In this plan performance analysis, we calculate compound annual growth Rate, annual return, deviation, standard deviation. As we all know compound annual growth rate is a measure used to calculate the average annual growth rate of an investment over a specified period. Here we try to figure out the compound annual growth Rate from 2015 to 2022. In this 7 year its growth rate is 2.17%. This means that if you had invested in this market or asset at the beginning of the time period, your investment would have grown at an average rate of 2.17% per year over the entire period. This rate of growth is relatively low, but it is still a positive rate of return, indicating that the investment or market value increased over time. However, it's important to keep in mind that CAGR is a simplified metric that assumes a constant rate of growth over the entire period being considered, which may not be the case in reality. On the other hand, in 2022 its annual return showed 0.0009%. An annual return of 0.0009% indicates a very low rate of growth. So, we can see that there are huge differences between the Compound annual growth rate and 2022 annual return rate. We know that the return on an investment can be influenced by a variety of factors, including the type of asset, market conditions. Then in the standard deviation is 11.66%. It means the volatility of the investment is high. A higher standard deviation in the retirement industry generally means that the investment portfolio is riskier, as it experiences more significant fluctuations in returns. This can be problematic for individuals who are nearing retirement age, as they may not have as much time to recover from losses. According to data it shows that the annual return from 2016 to 2018 is very good condition but from 2019 to 2021 its gradually goes down and 2022 its try to increase again. Covid 19 is the major reason for this lower return. There has been widespread disruption in the world's financial markets as a result of the COVID-19 outbreak. There were widespread closures of companies and limitations on travel as a result of the pandemic. As a result, several businesses shut down or scaled back their operations, leading to a loss of jobs and a slowdown in purchasing by consumers. Major stock market indices including the S&P 500 and the Dow Jones Industrial Average saw dramatic drops in March 2020, a month marked by extreme volatility. As a result of the pandemic, global supply networks have been impacted and commodity demand has fallen. Now the worlds economy is trying to get back to the previous place, although it is not easy at all due to various international wars.

## 4.3 Future and Recommendation

In this report, I will attempt to describe the planning procedure as well as a plan performance and risk assessment. Here, I discuss its annual return, Compound Annual Growth Rate, Mean



return, standard deviation. From the results section, it can be seen that this plan's growth rate was adequate from 2015 to 2019, but when covid 19 begins, its growth rate decreases and standard deviation increases. We can assume that this plan's earnings and growth rate will go up soon because, in 2022, its growth rate will attempt to climb again.

Every Financial sector have some problem like systematic risk, unsystematic risk, inequality, investor lack of knowledge etc. In the 401k industry, a major problem is many investors invest too conservatively or too aggressively. Numerous investors may not earn enough from their investments to meet their retirement needs because they are too risk-averse and opt for safer options like bonds or money market funds. However, significant losses and volatility may result from participants' selection of excessively risky investments, like individual stocks or high-risk mutual funds. Therefore, I will suggest that prior to the investment, we should clarify it with the client and describe the return-earning process. This is so that if there is a disadvantage, our client will understand it and have faith in us. Furthermore, we can reduce the fees and expenses associated with many 401(k) plans, which will increase the participant's overall investment returns and attract more customers to our business.

#### **4.4 Conclusion**

In conclusion, this paper offers a thorough evaluation of the success and safety of a 401(k) plan. We discuss the difficulties and rewards of the internship experience in detail. Over the course of the internship, we've seen numerous highs and lows. From the section about the company, we learn several useful details that expand our understanding of the 401(k) sector. From 2015 to 2019, the plan's growth rate was sufficient, but the study reveals that the COVID-19 pandemic will have a negative impact in 2020 and 2021. The plan's growth rate, however, resumed its upward trend in 2022, suggesting optimism about the scheme's long-term prospects. Systematic and unsystematic risks, inequality, and an uninformed investing public are only some of the issues that are highlighted in the study as well. Too much or too little risk-taking in 401(k) plans is a common mistake that can result in substantial losses and market volatility. To lessen the possibility of misunderstandings and distrust, the research suggests that investment businesses provide their clients with more information on the investing process. In addition, businesses may improve their bottom lines by decreasing costs and expanding their consumer bases. In sum, the research is a great resource for financial firms looking to boost the effectiveness of their 401(k) offerings and win over new clients.

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