

## Safe Harbor 401(k) Plans

Tired of failing your ADP/ACP testing? Are unexpected refunds causing your Highly Compensated Employees to grumble? **Go “Safe Harbor” and ditch the dreaded testing and refunds altogether.** Whether you are already dealing with these issues, or are hesitant to even offer a 401(k) plan because of them, you may want to consider a “Safe Harbor” plan design. Your Highly Compensated Employees won’t have to worry about how much they contribute or whether they’ll be receiving refunds they don’t want. Everyone will be able to contribute up to the IRS maximum.

**Plan Design** – There are two types of Safe Harbor formulas. Choose the one that’s right for you.

- **3% Safe Harbor Non-Elective Contribution** – The Employer contributes 3% of pay for all eligible employees, whether or not they are contributing to the plan. These contributions may also be used to satisfy top-heavy minimums or to help maximize an owner’s share of a profit-sharing contribution.
- **Safe Harbor Matching Contribution** – The Employer matches 100% of the first 3% of pay contributed to the plan and 50% of the next 2% of pay contributed to the plan. This option may help to increase employee participation, because they have to contribute something to receive something. These contributions also satisfy the top-heavy requirements *as long as there are no other company contributions.*

### Requirements –

**Plan Document** – Must contain a provision allowing the Safe Harbor contribution and it must be adopted at least 30 days before the first day of the plan year.

**Participant Notice** – Each year, a Safe Harbor notice must be given to all participants.

**Vesting** – Safe Harbor contributions are always 100% vested.

**Eligibility** – All active participants are eligible to receive a Safe Harbor contribution. You may not require someone to have a minimum number of hours or to be employed on the last day of the plan year.

