

401(k) Safe Harbor Quick Guide

Maximize your Potential - Minimize your Risk

Basic & Enhanced Safe Harbor Matches



Safe Harbor Options are designed to avoid ACP & ADP Compliance Testing issues.

Begin by Oct 1 for a Jan 1 current Plan Year. Mid-year startups are possible.

All Employer Contributions are 100% vested. QACA Plans can allow for 2 yr delayed vesting for high turnover Plan Sponsors.

Eligibility can be set up to a maximum of 1 Year. Entry dates can be set at a maximum of every 6 months.

Terminated Employees must still receive a contribution. Matching can be terminated during Plan Year (conditions apply).

401(k) Safe Harbor Basic Match:

Employer only makes a matching contribution for those Employees who defer. Employees can get 4% Match if they defer up to 5% of their pay.

100% Match on the first 3% + 50% Match on the next 2%

The most basic Employer matching option. It is broad-based to work with all types of plan sponsors & entices Employees to contribute up to 5% of pay.

401(k) Enhanced Safe Harbor Match:

Employer only makes a matching contribution for those Employees who defer. Employees can get a dollar for dollar match on the first 4% of pay.

100% Match on the first 4%

Easy for Employees to understand 100% matches on deferrals and entices them to contribute 4% of pay. A good "Middle of the Road" option for Employers & is easy to manage, yet it sets a mental "threshold" of Employees only deferring up to 4%.

401(k) Super Enhanced Safe Harbor Match:

Employer only makes a matching contribution for those Employees who defer. Employees can get a dollar for dollar match on the first 6% of pay.

100% Match on the first 6%

This option is a great recruitment & talent retention tool. This option is highly recommended for Employers with a skilled workforce as part of a Profit-Sharing Plan as well as Employers who want to maximize their Employee deferrals with a matching "carrot" up to the full 6%.

PPC is your Resource to design the right solution for your clients...



Contact us Today for Additional Details.

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Additional Safe Harbor Plan Types to Consider

All Safe Harbor Plans are easily paired with Profit Sharing & Cash Balance Plans. PPC is your Resource to design the best solution for your Clients.

Non-Elective 401(k) Safe Harbor Option (Non-Matching):

Basic Description

Non-Matching Option - Employer simply makes a contribution for all employees, based on a set % of their pay from a min of 3% up to 6%.

Formula & Details

3%, 4%, 5% or 6% of Pay

Major Benefits and/or Drawbacks

Ease of use to manage Employer Costs & easy to forecast tax deductions. Easy for Employees to understand. Because the Employer contribution is automatic and not as a Match for employee deferrals, it is a great tool to attract/retain talent, but it does not entice employees to contribute on their own.

QACA 401(k) Safe Harbor (Qualified Automatic Contribution Arrangement):

Employees are Auto-Enrolled to defer at least 3% of pay and auto-escalate 1% per year up to 6%. (Participants must receive an election notice & Opt Out within the first 90 days of eligibility.)

100% Match on the first 1% + 50% Match on the next 5%

This option is a great way for large participant or high employee turnover plans to ease employees into saving for their own retirement & also ease them into Employer matching (either as a Start-up Plan or when adding a Match Option). Can be difficult at times for Employees to understand auto-enrollment & auto-increasing deferrals without proper enrollment education.

Triple Stack Match 401(k) Safe Harbor:

In consultation with our actuaries, a triple stack match is a great "blended option" to allow the Employer added tax deduction flexibility when employee deferrals are typically low.

Three Tiers: 1) Basic match, 2) discretionary Match of 66 2/3% of deferrals up to 6% of pay and 3) A fixed match of x% of pay up to 6% of pay deferred

Reserved for very special situations where there is a desire to max out all contributions and staff is not deferring very much. Allows almost \$56,000 in combination deferrals and matching money. This option can be difficult to manage and difficult for employees to understand at times, but it does provide flexibility for the Employer.

Adam Brest

Business Development Consultant
Pension Planning - DFW Team

(817) 542-2135 Mobile
(817) 905-0322 Office

AdamB@PensionPlanningUSA.com



** Additional Restrictions/Conditions/Special Notices apply for each type of Safe Harbor Plan. This "Cheat Sheet" is for illustration purposes only & not designed to infer advice or recommendations for all situations. **