Safe Harbor 401k Plans

Help Highly Paid Employees Save More

LANDMARK FINANCIAL

Safe Harbor 401k Plans are designed to permit business owners and other Highly Compensated Employees to contribute larger amounts from their salaries than might be possible in a traditional 401k Plan.

HOW MUCH CAN I CONTRIBUTE?

Employees can contribute whatever could otherwise be contributed into a traditional 401k Plan (generally up to $24,500 and up to 25% of plan-wide compensation, or up to 100% of employee compensation). Owners and other Highly Compensated Employees can make contributions without being limited by the Actual Deferral Percentage (ADP) Test.

ARE EMPLOYEE CONTRIBUTIONS REQUIRED?

No. Employee contributions (salary deferrals) into these plans are discretionary, and can be increased, decreased, or eliminated in future years.

WHAT ARE THE REQUIREMENTS?

Safe Harbor Plans are subject to several special requirements as listed below.

Notice Requirements - Safe Harbor 401k Plans must give a Required Notice to employees at least 30 days before the beginning of each plan year (and no earlier than 90 days before). The employer must fund certain required contributions. In addition, the plan document must be prepared or amended to provide for these plans.

Contribution Requirements - Employers must fund a matching contribution of at least a 100% match on the first 3% of salary and a 50% match from 3% to 5% of salary. Alternatively, employers may fund a 3% or 4% of pay non-elective contribution for each employee regardless of whether the employee makes salary deferral contributions.

Vesting Requirements - Employer required contributions and Employee Salary Deferrals are 100% fully vested at all times. Additional Employer Contributions can be made subject to a vesting schedule.

CAN EMPLOYERS CONTRIBUTE MORE?

Yes. Employers can contribute more than the minimum required safe harbor contributions. Additional employer contributions may be subject to a vesting schedule. Employer non-elective contributions can be used both to satisfy minimum contributions required for Top Heavy plans and to satisfy the General Nondiscrimination Test for New Comparability Plans.

HOW DO THESE DIFFER FROM SIMPLE PLANS?

Highly Compensated Employees and owners can contribute up to $24,500 rather than the $17,000 limit for SIMPLE Plans. Employers may make additional contributions in Safe Harbor 401k Plans. In SIMPLE Plans no additional contributions may be made.

Learn more about us at www.mylandmarkfinancial.com.

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