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Safe Harbor 401(k) Plan Design Options

Safe harbor 401(k) plans help employers avoid most annual compliance tests and allow Highly Compensated Employees (HCEs) to save up to the IRS annual limit each year. Consider one of the options below to create a predictable retirement plan that benefits owners, executives and employees.

OPTION #1 Safe Harbor 401(k): 3% Nonelective		OPTION #2 Safe Harbor 401(k): Basic Match		OPTION #3 Safe Harbor 401(k): Match w/ Auto Enroll	
Employer contributes 3% of compensation, regardless of employees' 401(k) deferrals		*Employer matches 100% of the participants first 3% of deferred compensation plus a 50% match on deferrals between 3% and 5% (4% maximum match)*		*All eligible employees are automatically enrolled in the plan*	
		Can be enhanced to a more generous formula		*Employer matches 50% on deferrals between 2% and 6% (3.5% maximum match)*	
				Can include Qualified Automatic Contribution Arrangements (QACAs)	
PARTICIPANT DEFERRAL	**COMPANY CONTRIBUTION**	**PARTICIPANT DEFERRAL**	**COMPANY CONTRIBUTION**	**PARTICIPANT DEFERRAL**	**COMPANY CONTRIBUTION**
Not required to receive safe harbor contribution	3% contribution to all eligible participants regardless of participation	Required to receive safe harbor match	100% match up to 3% of compensation 50% match on next 2% of compensation Maximum match: 4%	Required to receive safe harbor match	100% match up to 1% of compensation 50% match from 2% to 6% of compensation Maximum match: 3.5%
0% ▶	3%	0% ▶	0%	0% ▶	0%
1% ▶	3%	1% ▶	1%	1% ▶	1%
2% ▶	3%	2% ▶	2%	2% ▶	1.5%
3% ▶	3%	3% ▶	3%	3% ▶	2%
4% ▶	3%	4% ▶	3.5%	4% ▶	2.5%
5% ▶	3%	5% ▶	4%	5% ▶	3%
6% ▶	3%	6% ▶	4%	6% ▶	3.5%
VESTING: Employer contributions must be 100% immediately vested		**VESTING:** Employer contributions must be 100% immediately vested		**VESTING:** Employer contributions must be 100% immediately vested after two years of service	
NOTICES: Not required		**NOTICES:** For each year a plan elects to utilize the safe harbor design, a notice must be sent to all eligible participants at least 30 days prior to the beginning of the intended plan year.			