

# SAFE-HARBOR PLANS

HAS YOUR PLAN EVER HAD TO ISSUE REFUNDS AFTER YEAR END  
DUE TO THE RESTRICTIONS OF 401(K) TESTING?

IF SO, YOU MAY WISH TO CONSIDER A SAFE-HARBOR OPTION!

Safe-harbor 401(k) plans are not subject to the annual testing  
requirements of most 401(k) plans!

Consequently, anyone with sufficient wages is allowed to contribute  
up to the annual dollar limit: \$16,500 in 2010 (\$22,000 if age 50).

To qualify as a safe-harbor plan, a plan must:

- Provide an annual notice 30 days prior to the beginning of the year
- Make an annual safe-harbor contribution – 2 options are available:  
SH NEC: 3% of pay for all eligible employees  
SH MAC: 100% match, up to 4% of pay, for all participating employees

**Safe-harbor contributions are always 100% vested!**

Besides satisfying the 401(k) testing requirements, safe-harbor contributions can also be applied towards any top-heavy contribution requirement the plan may have. And if the only plan contributions for a year are the employee 401(k) contributions and the employer safe-harbor contributions, the plan automatically satisfies the top-heavy requirement!

Please note that, in the case of a new plan, the plan must be fully operational for a period of at least three months. So a calendar-year safe harbor plan must be up and running by October 1<sup>st</sup>. In the case of an existing 401(k) plan, conversions to safe harbor are not allowed mid-year.