

WHO SHOULD CONSIDER THIS PLAN?

Small or medium-size businesses who want a retirement plan that will maximize contributions to owners while minimizing contributions to other employees.

ADVANTAGES

- Allows owners to defer the maximum.
- Plan is exempt from top heavy rules.
- Provides a benefit package for Highly Compensated Employees.
- Avoids ADP Testing which eliminates refunds to owners and other Highly Compensated Employees.
- Stabilizes company contributions to non-owner employees.
- Roth IRA deferrals available.
- Deferral Limits:
 - \$18,000 – For those under age 50.
 - \$24,000 – With catch-up contributions for those age 50 or older.

QUICK TEST

- Is your plan passing discrimination testing?
- Are you required to make a top heavy contribution?

Safe Harbor 401(k) Plan

Affordable plans that allow Highly Compensated Employees, including owners, to defer at the maximum rate and eliminate discrimination testing and top heavy requirements.

How it works

The traditional 401(k) Plan is one of the fastest growing retirement plans. It supplies companies with a flexible, competitive, and cost-effective retirement plan.

Owners may find that their deferrals may be limited by the ADP Test, and if the plan is "Top Heavy", a contribution is required for all participants in the plan. Safe Harbor Plans are designed to satisfy these requirements so that the owner of a business and other Highly Compensated Employees can take full advantage of plan deferrals.

In exchange for committing to one of the Safe Harbor provisions, the employer can avoid the ADP Test and, in many cases, required Top Heavy contributions.

Contributions to the Safe Harbor Plan are always 100% vested. However, a vesting schedule may be used for other company contributions.

Safe Harbor Employer Contribution Options

- **4% Safe Harbor Match:** Company makes matching contributions only to those employees who defer compensation under the plan. Contributions are capped at 4% of compensation. This is the preferred choice if a low deferral rate is expected among non-owner employees. This option is the Enhanced Employer Match. Additional Safe Harbor Match options include: Basic Match and a match capped at 6%.
- **3% Safe Harbor Non-Elective Contribution ("NEC"):** The Safe Harbor NEC contribution is allocated to all employees even if they do not defer. This is a good option if all employees are expected to defer; or if there is the possibility that testing can be passed (final decision is made 30 days before the end of the plan year); or if a Cross Tested Profit Sharing contribution is to be made.
- **Cross Tested Safe Harbor 401(k) using 3% NEC:** The 3% Safe Harbor NEC contribution is used to help pass the testing associated with the Cross Tested Profit Sharing allocation method. In this way, an owner may be able to receive up to the \$53,000 contribution maximum (\$59,000 if age 50 or older) for only a little more than the required Safe Harbor contribution.

Start Today - Free Proposal

To find out if a Safe Harbor 401(k) is right for you or your client, contact us. In one easy step, Crown will run a contribution illustration at no cost or obligation. **Call Today (800) 269-1447.**

Notes:
For existing 401(k) Plans, a Safe Harbor notice must be distributed to employees at least 30 days before the beginning of the plan Year. Companies not currently sponsoring a 401(k) Plan can establish a Safe Harbor 401(k) Plan at any time during the first three quarters (i.e. there must be at least 90 days left in the plan year).

If no other employer contributions are allocated to employees, Safe Harbor Plans are deemed to pass the ADP/ACP Tests and Top Heavy requirements do not apply. However, other allocations under the Safe Harbor matching provisions (such as forfeitures) could trigger required Top Heavy contributions.