Safe Harbor 401(k)

A plan for maximizing salary deferral contributions

We think business owners and their employees should have the opportunity to enjoy life at its very best, especially in their retirement years. Adding a retirement plan to your benefits package can be a great way to help build financial security for the future.

By committing to make a minimum contribution on behalf of your employees, highly compensated employees can maximize their own personal contributions to the plan.

Popular choice

A Safe Harbor plan makes it easier for business owners to maximize contributions to their own accounts while reducing some of the complicated testing requirements that normally apply to traditional 401(k) plans. In addition, matching contributions to employee accounts are tax deductible (within IRS limits) for the business.

A Safe Harbor plan:

- Maximizes deferrals of highly compensated employees
- Satisfies non-discrimination and normally satisfies top-heavy minimum contribution requirements

Keep in mind that the business must make contributions to the business owner, to highly compensated employees and to non-highly compensated employees. In general, Safe Harbor plans work well for companies that have a consistent stream of revenue.

Plan requirements

For a 401(k) plan to be considered a Safe Harbor plan, employers must satisfy certain contribution, vesting and notice requirements. A Safe Harbor 401(k) plan generally satisfies the non-discrimination rules for elective deferrals and employer matching contributions.

Employer contributions

There are two type of Safe Harbor contributions: Employer matching contribution and employer non-elective contribution. The rate of matching contributions for any highly compensated employees cannot be greater than the rate of matching contributions for non-highly compensated employees. Employers may choose either non-elective or matching contributions.

- **Matching Contribution.** Employers can choose between the basic or enhanced match. Deferrals may not exceed 6% of compensation that is matched.
  - **Basic Match:** The employer matches 100% of the first 3% of compensation deferred, plus a 50% match of the next 2% of compensation deferred.
  - **Enhanced Match:** The most common match is 100% of the first 4% of compensation deferred. However, the employer may choose to match at any rate that at least equals the basic match formula. To avoid the ACP test, the plan must not match deferrals at a rate that exceeds 6% of compensation and any discretionary match must not exceed 4% of compensation.

Ameritas Life Insurance Corp.
Ameritas Life Insurance Corp. of New York

Ameritas® fulfilling life®

For financial professional or plan sponsor use only.

- **Non-Elective Contribution.** The employer contribution is at least 3% of compensation if elected in the plan. This contribution may be chosen mid-year. If the decision to make a non-elective contribution is made during the first 11 months of the plan year, the contribution will be 3%. If the decision is made in month 12 of the plan year or in the following year, the contribution will be 4%.
- **Vesting**. All employer contributions are immediately vested (or within two years under a qualified automatic contribution arrangement (QACA)).
- **Testing.** While the plan is not subject to ADP testing and in some instances may not be subject to ACP testing, it is still subject to: 402(g), 415 Annual Additions, and Top Heavy Testing.

Notification requirements

The plan must provide written notice to employees. Ameritas will prepare the following on behalf of the plan.

- A description of Safe Harbor contributions, as well as information about employee deferrals, employer contributions, withdrawals and vesting.
- An annual Safe Harbor notice to be distributed to employees at least 30 days (but no more than 90 days) prior to the first day of each plan year.
- A notice to any employee who will become eligible for the plan after distribution of the annual Safe Harbor notice. The employee must receive the notice prior to his or her eligibility date.

Withdrawals

Withdrawals of Safe Harbor contributions are limited to death, disability, separation of service or attainment of age 59½, if permitted in the plan document, similar to the distribution events for elective deferrals.

Implementing the plan

Employers with a 401(k) plan may add a Safe Harbor provision at the following times:

- If utilizing a matching contribution, the provision can only be added at the beginning of the plan year, but adopted at least 30 days before the plan year begins for notice purposes.
- If utilizing a non-elective contribution, the plan may be amended to provide a 3% contribution at any time during the first 11 months of the plan year.
- If the amendment of the plan provides for a non-elective contribution of 4% for the plan year, the amendment may be made any time prior to the last day of the following plan year.

It should be noted that the safe harbor contribution applies to the entire plan year and cannot be prorated based on when it is adopted.

Ameritas Life Insurance Corp. is not authorized to give tax or other legal advice. For specific information, consult your attorney or tax professional.

More information

Contact your Ameritas financial professional to learn more about a Safe Harbor 401(k) plan. See if it is a good choice for you and your business.

Ameritas®
fulfilling life®

Ameritas Life Insurance Corp.
Ameritas Life Insurance Corp. of New York