



Safe Harbor Plans

A SMART RETIREMENT SOLUTION FOR SMALL BUSINESS OWNERS

A Safe Harbor 401(k) is a special type of retirement plan designed to eliminate the administrative burden of annual IRS nondiscrimination testing—ensuring compliance and simplifying your life. It's a win-win for employers and employees, offering generous tax benefits and stress-free operation.

What is nondiscrimination testing?

Nondiscrimination testing is a set of annual IRS-mandated evaluations designed to ensure that 401(k) plans do not unfairly favor highly compensated employees (HCEs) over non-highly compensated employees (NHCEs). These tests measure whether key benefits like salary deferrals and employer contributions are distributed equitably among all employees.

For small businesses, failing nondiscrimination testing can be both costly and frustrating. It often occurs when business owners or key employees want to maximize their contributions, but lower participation from other staff drags down the plan's average. This is where Safe Harbor 401(k) plans shine—they automatically satisfy most nondiscrimination testing requirements by including mandatory, vested employer contributions. This makes plan administration smoother and more predictable for small employers.



If a plan fails nondiscrimination tests, the employer may be required to return contributions to HCEs or make additional contributions to NHCEs to bring the plan into compliance.

Small businesses love Safe Harbor 401(k)s.

✓ Avoid IRS hassles

Safe Harbor plans automatically pass key IRS nondiscrimination tests, saving you time, paperwork, and the risk of costly corrections.

✓ Enjoy tax savings

Employer contributions are tax-deductible, and your business may qualify for up to \$16,500 in tax credits for starting a new plan.

✓ Maximize your contributions

Owners and highly compensated employees can contribute the full IRS limits without worrying about failing tests due to low employee participation.

✓ Easy to administer

With pre-approved plan designs and clear guidelines, Safe Harbor 401(k)s take the guesswork out of retirement planning for small businesses.



Here's how to determine if a Safe Harbor plan is right for you.

Safe Harbor plans are a perfect solution for small companies with fewer than 50 employees and a small amount of owners or highly-compensated employees who wish to participate. They are also useful for other businesses who wish to avoid nondiscrimination testing.



Safe Harbor



Ideal for small companies where owners or HCEs want to participate.



Employees get some form of contribution from the employer.

Non-Safe Harbor



More flexibility in how they are set up and administered.



Employer is not required to provide contributions to employees.

SAFE HARBOR PLANS ARE NOT RIGHT FOR EVERY BUSINESS, SO IT'S SMART TO SEEK ADVICE BEFORE MAKING A DECISION.



Choose the right type of plan for your business.

The different types of Safe Harbor 401(k) plans each offer a different approach to employer contributions while still ensuring compliance with IRS rules.

BASIC

With this plan type, employers are required to offer matching contributions at this rate:

100% of the first 3%
50% of the next 2%

At most, if the employee contributes 5% or more of their pay, the employer will match 4%.

ENHANCED

With this plan type, employers have options of how to set up the matching contributions:

100% of either the first
4%, 5%, or 6%

Employees are fully vested in the matching contributions, making this a very rich plan type.

QACA

With this plan type, employers are required to offer matching contributions at this rate:

100% of the first 1%
50% of the next 5%

At most, if the employee contributes 6%+ of their pay, the employer will match 3.5%.

GUARANTEED CONTRIBUTION

Often called “non-elective” or “profit-sharing,” this plan type requires:

3% of employees’ pay regardless of whether the employee contributes.

If the employee becomes eligible during the year, the contribution must be for the entire year, and is not prorated.



What about vesting?

All Safe Harbor plan types require immediate vesting, except the QACA type. This type allows for a 2-year cliff schedule, meaning matching contributions are 0% vested until the participant reaches 2 years of service.

Don't miss your window!

Safe Harbor plans must be active by

October 1

so plan ahead to maximize your benefits.

With 401GO's 15-minute setup, getting your Safe Harbor 401(k) in place before the deadline has never been easier! Our fast, guided experience helps you meet compliance requirements on time.

