



Business Solutions: Safe Harbor 401(k)

The Safe Harbor 401(k) is a qualified retirement plan that isn't subject to non-discrimination testing. The plan is designed to allow business owners and other highly compensated employees full participation and contributions to the plan. The mandatory employer matching encourages rank-and-file employees to participate as well.

Key features of a Safe Harbor 401(k)

- Roth options
- Generous contribution limits
- No discrimination testing
- Loan availability
- May be paired with a discretionary Profit Sharing Plan

Considerations of a Safe Harbor 401(k)

Max Eligibility:	Employees who have one year of service and work 1,000 hours may be eligible.
Employee Contributions:	Salary Deferral limit is 100% of salary, not to exceed \$18,000 for 2015 (\$6,000 catch-up).
Employer Contributions:	Employer must match contributions of up to 4% of employee compensation. Discretionary Profit Sharing is up to 21% of compensation.
Vesting:	100% immediate vesting of matching contributions Profit sharing vesting subject to employer discretion
Deadline to establish:	October 1 of the plan year
Loans:	Loans available

Calculations of a Safe Harbor 401(k)

Retirement plans are a great way to take advantage of many tax benefits. A business owner with \$100,000 in compensation and two eligible employees earning \$30,000 could put as much as \$24,400 into a Safe Harbor 401(k) with almost 90% of these funds allocated to himself. The potential savings increase with the prospect of a discretionary profit sharing plan.

	SH 401(k)	SH with PSP
Maximum Owner Contributions	\$22,000	\$43,000
Cost to cover employees	\$2,400	\$15,000
Total Owner Contribution	\$24,400	\$58,000
Estimated Tax Savings *	\$1,600	\$10,000

*estimated based on 25% tax rate

Each business is unique and has unique planning considerations. Contact your HD Vest Advisor to help you determine your retirement plan needs and to help you establish the most appropriate plan for your circumstances.