



To: Advisors
From: Pentec, Inc.
Date: August 17, 2010

Re: Deadlines for Setting up Safe Harbor 401(k) Plans

The IRS has deadlines for setting up new Safe Harbor 401(k) Plans or adding the Safe Harbor feature to existing plans. The rules are as follows:

- 1) A new Safe Harbor 401(k) Plan must be established at least three months prior to the end of the plan year (i.e. by September 30th for calendar year plans)
- 2) An existing 401(k) plan that wants to add the Safe Harbor feature must amend the plan at least 30 days prior to the beginning of the next plan year (i.e. by December 1st for calendar year plans).

Safe Harbor 401(k) Plans generally give the employer the following two options for employer contributions:

- 1) Safe Harbor Matching Contributions (i.e. only employees that make 401(k) deferrals get the match)
- 2) 3% Safe Harbor Non-Elective Contributions (i.e. all employees who are eligible to make 401(k) deferrals and meet the minimum eligibility requirement receive the 3% contribution).

Safe Harbor 401(k) Plans are one of the most effective ways to accomplish the following:

- 1) Maximize owners and/or highly compensated employees' 401(k) contributions
- 2) Avoid bothersome Non-Discrimination Testing and the potential for a failed test that often times results in a refund to the highly compensated employee(s).
- 3) Satisfy Top Heavy contribution requirements (***note that generally the Safe Harbor contributions only satisfy the Top Heavy contribution requirement if they are the only employer contributions made to the plan.***)

Pentec can help determine the best plan design for your clients by factoring in contribution goals, contribution costs, and the demographics of the staff. Based on the deadlines outlined above, there is no better time than now to start the conversation with your clients regarding installing a retirement plan or changing an existing plan.

Please contact Stacy Cugno, Sales & Marketing Director, or the Plan's Client Manager at (860) 628-2555 with any questions that you may have on 401(k) Safe Harbor Plans, or any other pension related issue that may be of interest to you.