



## Safe Harbor 401(k): What Would Your Clients Rather Do?

Would your clients rather go through 401(k) non-discrimination testing, or make employer contributions to a [safe harbor plan](#) and avoid testing altogether?

Of course, it depends. Each business is unique. Some of your clients may feel confident they'll pass testing. Others may prefer to be "safe" and go the mandatory contribution route.

Regardless, the deadline to send out safe harbor notices is September 1 for new plans established by October 1, and December 1 for existing safe harbor plans. It's not too soon to start educating your clients on their options.

As you know, the federal government requires 401(k) plans to undergo annual [nondiscrimination testing](#) to ensure that owners and highly-compensated employees (HCEs) are not benefiting from the plan more than lower-paid employees.

If the plan fails testing, it could mean making expensive corrections, a lot of administrative work, and the headache of having to refund 401(k) contributions. If corrections aren't made within a certain time frame, the entire plan [may lose its tax-qualified status](#).

To avoid this, many businesses opt for the safe harbor provision. Instead of testing, they're required to make a mandatory contribution to participating employees. This levels the playing field. It also allows HCEs to maximize salary deferrals and encourages employee participation, which is beneficial for everyone. A financially healthy plan can also help employers attract new hires.

There's also a third option. Clients can partner with a retirement provider like Paychex to help ensure the plan is in compliance and will pass testing. We can also help set up a safe harbor plan for them in time for the Sept. 1 deadline.

To review all the options, connect with your [regional wholesaler today](#).

## Resource Corner

### Compliance Calendar

#### June 30

**Return of Excess (ROE) Distributions for Failed ADP/ACP Tests – EACA Plans**  
Deadline for corrective ROE distributions for failed prior year ADP/ACP compliance tests for Plan Sponsor to avoid the 10% excise tax for plans that satisfy the eligible automatic contribution arrangement (EACA) requirements.

#### July 29

**Summary of Material Modification (SMM)** – Deadline to provide SMM to plan participants for plan amendments adopted in prior plan year, if any.

#### July 31

**Form 5500/5500-SF Filing Deadline** – Deadline (without extension) to file Form 5500/5500-SF, as applicable, for the prior plan year with the U.S. Department of Labor.

**Form 5558 Filing Deadline** – Deadline for filing Form 5558 with the IRS to request a 2-1/2 month extension to file Form 5500/5500-SF for the prior plan year.

**Form 8955-SSA Filing Deadline**– Deadline (without extension) to file Form 8955-SSA for the prior plan year in either paper or electronic form with the IRS.

**Form 5330 Return of Excise Taxes Filing Deadline** (if applicable; consult with your CPA) (without extension)

### Knowledge Center

Client Webinar: *Is a Safe Harbor 401(k) Right for Your Business?*

**Date: June 26, 2024**

**Time: 2:00 PM ET**

[REGISTER NOW](#)