



Safe Harbor 401(k): A Smart Option for the Right Client

The safe harbor provision for 401(k) plans can be a good option for businesses who don't want to undergo annual non-discrimination testing. This ensures that participants with different income levels are treated fairly in the plan. If highly compensated employees (HCEs) such as business owners save disproportionately more than other employees, the plan can fail.

Failure can lead to major headaches such as having to refund or make additional contributions, and even IRS penalties. Testing can also have costs associated with it, since it is usually performed by a private provider.

A safe harbor provision allows the plan to bypass testing. The tradeoff? The employer must make matching or nonelective contributions. This levels the playing field and encourages employee participation, which is beneficial for everyone.

Many businesses don't want to undergo the risk, administrative burden, and hassle of testing. Small business clients especially may be ideal candidates for a safe harbor plan.

Your clients can partner with a retirement provider like Paychex to help ensure requirements are met and their plan is in compliance. We can help them set up a safe harbor plan in time for the Sept. 1 deadline.

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



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

[Watch Now](#)

Resource Corner

Compliance Calendar:

Upcoming Deadlines

June 30

Return of Excess (ROE) Distributions for Failed ADP/ACP Tests - EACA Plans

July 29

Summary of Material Modification (SMM) delivery deadline

July 31

- Form 5500 / 5500-SF Filing deadline
- Form 5558 Filing deadline
- Form 8955-SSA Filing deadline
- Form 5330 Return of Excise Taxes Filing deadline (if applicable consult with your CPA) (without extension).

For more details, download the [2025 Retirement Compliance calendar](#)



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