

August 15, 2024

By: Debbie Rath

2024 Safe Harbor 401(k) Deadline is Quickly Approaching

Small businesses who are considering a safe harbor 401(k) plan this year have until October 1st. This means there is still time to establish the new plan for 2024 and take advantage of maximum contribution limits.

Safe Harbor 401(k) plans are very popular for small businesses due to the variety of benefits and savings for the owners seeking lower taxes, saving for retirement, and help attracting and retaining top personnel.

The key benefit of a safe harbor 401(k) is the plan automatically satisfies IRS non-discrimination testing requirements. In addition, employer contributions are deductible to the employer as well as tax-deferred for all participants. Eligible employees can make pre-tax contributions that are also tax-deferred or Roth after-tax contributions. The 2024 employee contribution limit is \$23,000, or \$30,500 for participants age 50 and older.

The employer can make one of two types of Safe Harbor employer contributions:

- Non-Elective 3% of compensation contribution for all eligible participants, or
- Matching contribution. Typically, 100% of the first 4% of compensation; or 100% of the first 3% of compensation plus 50% of the next 2% of compensation.

Don't miss this opportunity to establish a safe harbor plan. To find out if a Safe Harbor plan is right for your client, complete our [proposal request form](#) and return to me at drath@nhhicks.com.

Adding Safe Harbor to Existing Plans

An existing non-safe harbor 401(k) plan can implement a 3% non-elective safe harbor provision for 2024 if the plan is amended by November 30, 2024. Plans that implement the non-elective safe harbor provision of 4% or more have until December 31, 2025 to amend.

If you're interested in adding a safe harbor match, you can do so effective January 1, 2025 provided the employees receive the notice by November 30, 2024.

More Important deadlines:

- **IRS Forms 5500**, 5500-SF and 5500-EZ are due by Tuesday, **October 15th**.
- If your client has a **SIMPLE** and wants a 401(k) plan for 2025, they must terminate the plan and provide a notice to employees by **November 2nd**.
- If you're **unhappy with your current Third Party Administrator (TPA)**, now is the time to transfer the plan's administration.
- **Review the plan's fees**. Many TPAs are increasing their fees, adding on extra charges, or not offsetting their fees by investment company payments. This is part of the annual fiduciary duties.

If you have any questions or need help, contact us before it's too late.