

401(k) PLAN DESIGN CONSIDERATIONS



ANNUAL 401(k) PARTICIPANT CONTRIBUTION LIMITS (2024)

- \$23,000
- \$30,500 for employees age 50 and older

ELIGIBILITY

Most common requirements are 18 years of age and 3 months of service. Age and Service requirements can be a maximum of 21 years of age and 1 year of service.

ENTRY DATES AND CHANGES

The plan has monthly entry dates for all newly eligible employees or employees who would like to begin participation. The plan allows employees to modify deferral contributions effective as any following pay period.

SAFE HARBOR OPTIONS

By selecting one of the following Safe Harbor options, the required Discrimination testing (ADP) and Top Heavy testing is waived. When this option is selected, owners and highly compensated employees (HCE's) can max out their own contributions without the concern of potential refunds and mandatory unexpected contributions to the plan.

- 1 Matching 100% on the first 4%** – \$1.00 for \$1.00 up to the first 4% of contributions for those that elect to participate. This matching contribution is 100% vested immediately to the employee under the Safe Harbor rules.
If an employee defers 1%, they are matched that same 1%, deferral of 2%= 2% match, etc.
If an employee defers 4% or more, the match is capped at 4%.

- 2 Matching 100% on the first 3% plus 50% on the next 2%** – for those that elect to participate. This matching contribution is 100% vested immediately to the employee under the Safe Harbor rules.

OR

- 3 3% Nonelective** – The company makes a contribution for everyone who is eligible, whether they participate or not. This contribution is 100% vested immediately to the employee under the Safe Harbor rules.

NON-SAFE HARBOR PLANS

The plans are subject to annual compliance testing which restricts how much highly compensated employees (HCE's) can defer. For the plan year 2024-2025, a highly compensated employee is defined as company owners, spouses, children, parents of the owners, and any employee who earned greater than \$135,000 the previous year. Non Safe Harbor plans do allow for discretionary employer contributions such as Matching and Profit Sharing.

VESTING OPTIONS AVAILABLE ON NON-SAFE HARBOR CONTRIBUTIONS

Any discretionary employer contribution can be subject to a graduated vesting schedule up to a maximum of 6 years from date of hire.

Common examples:

Years of Service	Vested	Years of Service	Vested	Years of Service	Vested
0-1	0%	0-1	0%	0-2	0%
1	25%	1	20%	2	20%
2	50%	2	40%	3	40%
3	75%	3	60%	4	60%
4	100%	4	80%	5	80%
		5	100%	6	100%

*Plan Design features can be amended to or from Safe Harbor at the beginning of the next calendar year- if notice is given on or before 12/1.