



UNDERSTANDING THE SAFE HARBOR FEATURE

All defined contribution plans with a 401(k) feature are required to pass an annual non-discrimination test on 401(k) contributions. The 401(k) Safe Harbor feature provides an automatic pass on this non-discrimination test. The result is that all of the plan's highly compensated employees are allowed to contribute up to the IRS maximum deferral limit each calendar year. For the 2025 calendar year, this limit is \$23,500 for participants under the age of 50 and \$31,000 for participants age 50 and over.

There are four basic conditions that must be met:

- REQUIRED EMPLOYER CONTRIBUTION:** Employers are required to contribute a certain amount each year. The most common Safe Harbor contributions arrangements are described below:
 - Safe Harbor 3% Non-Elective Contribution:** Each participant eligible for the 401(k) feature of the plan receives a contribution in the amount of 3% of plan year compensation.
 - Safe Harbor Basic Matching Contribution:** Each participant eligible for the 401(k) feature of the plan receives a matching contribution of 100% of the first 3% of compensation deferred and 50% of the next 2% of compensation deferred. The maximum matching contribution under this type of Safe Harbor is 4% of compensation.
 - Safe Harbor Enhanced Matching Contribution:** Each participant eligible for the 401(k) feature of the plan receives a matching contribution of 100% of the first 4% of compensation deferred into the plan.
 - Other:** There are other types of contributions that meet ADP Safe Harbor requirements. Your plan consultant can help you design the contribution that will meet your goals for your plan.
- 100% VESTING OF REQUIRED CONTRIBUTIONS:** All Safe Harbor contributions are immediately fully vested.
- ANNUAL PARTICIPANT NOTICE:** This notice is generally required to be provided to each eligible participant no later than 30 days prior to the *beginning* of the plan year.
- WITHDRAWAL RESTRICTIONS:** Safe Harbor contributions are not eligible for hardship withdrawals. In addition, they are subject to the 10% early withdrawal penalty for withdrawal prior to age 59½.

We work hard to be sure you have the most up-to-date information relating to your retirement program. If you want additional information, please contact your plan consultant