QACA Safe Harbor = The New Norm

Now more than ever.. should startup retirement plans consider a Qualified Automatic Contribution Arrangement (QACA) Safe Harbor to satisfy new regulations?

Benefits from implementing a QACA include passing ADP/ACP testing, avoiding corrective distributions and/or initially satisfying Top Heavy minimums because of special "Safe Harbor" exemptions – AND meeting the SECURE 2.0 automatic enrollment mandate.

SECURE 2.0 - Automatic Enrollment Mandate:

- By 2025, all plans established after the SECURE 2.0 date of enactment (12/29/22), will be required to implement automatic enrollment.
- Initial automatic enrollment must start at a 3% employee deferral rate and increase by 1% each year to a minimum of 10% but no more than 15%.
- Exemptions: Retirement plans established before the date of enactment, small businesses (10 or fewer employees), businesses less than 3 years old, church and governmental plans.

QACA Key Advantages

- **Reduced employer match obligation**
- **Can have up to a two year cliff vesting schedule**
- **Can satisfy the automatic enrollment mandate**

Safe Harbor Comparison Chart

	TRADITIONAL SAFE HARBOR ***WITHOUT*** **QACA**	**SAFE HARBOR** ***WITH*** **QACA**
Safe Harbor Nonelective Contribution	3%	3%
Safe Harbor Matching Contribution	100% up to 3% of deferral & 50% from 3% to 5% of deferral	100% up to 1% of deferral & 50% from 1% to 6% of deferral
Maximum Safe Harbor Matching Contribution	4% of Compensation on 5% deferral	3.5% of Compensation on 6% deferral
Vesting	100% immediately	100% after 2 years
Satisfy Automatic Enrollment Mandate	No	Yes

Consider QACA

Within the retirement plan industry, the only true constant is change. Email or call us today for help navigating through new regulations for a tailored plan design approach!

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