

Plan Sponsor Resource

Is Safe Harbor Right for Your Plan?

Twelve questions to answer before you set your 401(k) design for next plan year

Answer each question yes or no. Tick the box for every yes, then count which design the yes answers point to. A plan leaning toward safe harbor is worth pricing out with your plan's administrator before the deadlines in the companion summary.

Testing and owners

01

- ☐ Has the plan failed the ADP or ACP test in any of the last three years?
Yes points to safe harbor
- ☐ Have owners or other highly compensated employees had contributions returned?
Yes points to safe harbor
- ☐ Has any highly compensated employee been told to contribute less to keep the plan passing?
Yes points to safe harbor
- ☐ Do the owners want to contribute up to the yearly limit?
Yes points to safe harbor
- ☐ Is the plan top-heavy, meaning key employees hold more than 60% of all account balances?
Yes points to safe harbor

Budget

02

- ☐ Can the company fund 3% of pay, or the match, every year, including a slow year?
Yes points to safe harbor. No points to traditional
- ☐ Does the company already contribute at least 3% of pay for every eligible employee, with no vesting schedule and no last-day requirement?
Yes points to safe harbor. The plan is already paying close to the safe harbor cost
- ☐ Would the company rather decide each year whether to contribute and how much?
Yes points to traditional

Keeping employees

03

- ☐ Does the company count on a vesting schedule longer than two years to keep employees?
Yes points to traditional
- ☐ Would a vesting schedule of two years or less be enough?
Yes points to a QACA
- ☐ Does the company want contributions to go only to employees still on the payroll at year-end?
Yes points to traditional

Plan features

04

- ☐ Does the plan already use automatic enrollment, or is it required to?

Yes makes a QACA worth pricing, since it pairs automatic enrollment with a smaller match

Your tally

05

Yes answers pointing to safe harbor: _____

Yes answers pointing to traditional: _____

Yes answers pointing to a QACA: _____

Bring to your next call

06

- ☐ Which design your yes answers point to, and the one or two questions you could not answer.
- ☐ The cost of a 3% flat contribution and of the match, using last year's payroll.
- ☐ The date your plan would have to act by for next plan year.

About First Hill Trust

First Hill Trust is a retirement plan solution provider that delivers a comprehensive employee benefits back office for plan sponsors who want clearer accountability, stronger governance, and fewer operational handoffs. Our work is grounded in fiduciary oversight. We focus on helping sponsors understand where responsibility sits, how decisions are executed, and how oversight functions in practice, not just on paper.

We work behind the scenes to support plans that value clarity, consistency, and confidence in how they are managed. If you'd like more information or a high-level review of how your retirement plan is structured today, click the link to schedule a brief review, or contact us (206) 625-1800.

[Schedule a Brief Review](#)

Important Disclosures

Educational purpose only. Provided by First Hill Trust Company for general informational and educational purposes only. It is not legal, tax, accounting, investment, or fiduciary advice, does not constitute a recommendation regarding any plan, investment, strategy, or course of action, and does not consider any recipient's specific circumstances. Consult your own qualified advisors before acting.

No offer, agreement, or commitment. Nothing in this material constitutes an offer, solicitation, agreement, or commitment to provide any particular service or to assume any particular responsibility. Descriptions of what a trustee, administrator, adviser, committee, employer, or other party "may" or "can" do are illustrative of how such arrangements commonly work and do not describe the terms of any specific engagement. The actual services provided, the allocation of responsibilities, the scope of any delegation, and the duties of any party are governed solely by the applicable plan documents, trust agreement, advisory agreement, and written service agreements. In the event of any inconsistency, those documents control.

Services and regulatory status. First Hill Trust Company and its affiliates offer retirement plan services, recordkeeping and administrative services, trust and fiduciary services, investment advisory services, and group benefits services, in each case subject to applicable regulatory requirements and the terms of the relevant agreements. Not all services are offered to all clients, in all states, or in all circumstances. Investment advisory services are offered through an affiliated investment adviser; a copy of its Form ADV Part 2A is available upon request. Insurance and group benefits products are offered through appropriately licensed entities. The availability and scope of any service depend on eligibility and the applicable agreements.

Fiduciary status under ERISA. Fiduciary status under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), is determined based on the functions performed and the authority exercised, not on titles or labels. Whether any particular party is acting as a fiduciary, and the scope of any related duties or potential liability, depends on the facts and circumstances specific to the plan and the relationship. Engaging a trustee, adviser, or other service provider does not eliminate a plan sponsor's or committee's own fiduciary responsibilities, including the duties to prudently select and monitor any party to whom responsibilities are delegated.

Affiliated entities and conflicts of interest. First Hill Trust Company is affiliated with other entities, including an affiliated investment adviser and entities providing administrative, trust, or other services. These relationships may create conflicts of interest, including where an affiliate is engaged or compensated in connection with a plan. Such conflicts and compensation are described in the applicable service agreements and the affiliated adviser's Form ADV Part 2A; fiduciaries should consider them when evaluating any engagement.

Statutory and regulatory references. References to ERISA, the Internal Revenue Code, and related statutory or regulatory provisions are general summaries only. They are not a substitute for review of the actual statutory text, regulations, or guidance from the Department of Labor, Internal Revenue Service, or other relevant authorities, and they do not address how those provisions may apply to any particular plan, sponsor, fiduciary, or individual. Laws, regulations, and guidance are subject to change and to interpretation by the relevant agencies and courts. Examples, categories, and situations described are simplified for illustration and may not reflect the requirements or circumstances of any particular plan or person.

No guarantee of results; investment risk. References to governance, fiduciary practices, risk reduction, or outcomes describe common industry approaches and potential benefits, not promises or guarantees of any result, of compliance, or of protection from liability, loss, or claims. All investing involves risk, including possible loss of principal; diversification does not ensure a profit or protect against loss. Past performance does not guarantee future results.

For more information, contact First Hill Trust Company at (206) 625-1800 or visit firsthilltrust.com.