Washington Saves or a 401(k): A Side-by-Side Comparison

FIRST HILL TRUST COMPANY

Comparing the state auto-IRA and an employer-sponsored plan, point by point.

Washington Saves is set to launch by July 1, 2027. Washington employers that have been in business in the state at least two years, have a physical presence in the state, whose employees worked a combined 10,400 hours or more the prior year, and that do not offer a qualified retirement plan to employees with one year or more of continuous service must either register for Washington Saves or sponsor a qualifying plan of their own. Under the proposed rules, registration deadlines are December 1, 2028 for employers with more than 20,800 combined hours in the state the prior year and December 1, 2029 for all others. Information is current as of November 2, 2026.

Washington Saves is a state-facilitated automatic IRA. Employees are enrolled automatically and may opt out at any time, and employers act only as a conduit for payroll deductions without fiduciary responsibility.

Both paths satisfy the mandate, and they work differently. The table below compares them on the points that matter most to a business owner and to employees, so you can weigh which fits your business.

Consideration	Washington Saves (Auto-IRA)	401(k) Plan
Annual contribution limit	Uses IRA limits. $7,500 per year, or $8,600 if age 50 or older (2026 IRS limits, adjusted periodically for inflation).	Uses 401(k) limits. $24,500 per year, $32,500 if age 50 or older, or $35,750 at ages 60 to 63 (2026 IRS limits, adjusted periodically for inflation).
Employer contributions	Not permitted. Under federal law, employers cannot contribute to workers' IRAs through the program.	Permitted. Employers may match or make profit sharing contributions, but are not required to unless the plan is a safe harbor 401(k).
Employer tax credits	Not available to the employer.	May qualify for a startup cost credit (up to $5,000 per year for three years, based on startup costs the business pays), a $500 per year auto-enrollment credit for three years, and an employer contribution credit of up to $1,000 per employee, subject to eligibility.
High earners and owners	Roth IRA by default under the proposed rules, with a traditional IRA option. Roth income limits (phasing out from $153,000 for single filers in 2026) can limit higher-paid owners and key staff.	No income limit on who can contribute. In a plan that is not safe harbor, yearly nondiscrimination testing can limit what owners and other highly paid employees keep.
Plan design flexibility	Standardized. The contribution structure and investment menu are set by the state board, with limited customization.	Customizable. Vesting schedules, profit sharing, eligibility rules, and match formulas can be tailored to the business.

Consideration	Washington Saves (Auto-IRA)	401(k) Plan
Employer workload	Register, provide employee data, distribute program disclosures, and withhold and remit contributions on time.	Set up and maintain the plan (document, filings, testing). These duties can be delegated to a recordkeeper or third-party administrator.
Fiduciary role	Employer is not a fiduciary and has no liability for program investment results.	Employer is a plan fiduciary. Investment and administrative duties can be delegated to a firm such as FHTC, but oversight remains.
ERISA obligations	None. The auto-IRA is not an ERISA plan, so there is no plan document, Form 5500, testing, or fidelity bond.	Governed by ERISA and the tax code. Requires a plan document, an annual Form 5500 and a fidelity bond, plus a yearly nondiscrimination test unless the plan is safe harbor. These can be delegated but not eliminated.
Upfront cost	No state program fees and no setup fees, though facilitating the program still takes some payroll administration time.	Setup and ongoing costs depend on the provider. Startup tax credits may offset some or all of the costs the business pays in the early years, depending on eligibility.

The bottom line

Washington Saves satisfies the state mandate and gives employees a straightforward way to save through payroll, with no program fees or fiduciary duty for the employer. Its trade-offs are lower contribution limits, no employer contributions, and no employer tax credits.

An employer-sponsored plan meets the same mandate while raising contribution limits, allowing employer contributions, and potentially qualifying the business for startup tax credits. Depending on the provider, it can add cost, and it brings a fiduciary role. For a very small or thin-margin employer with no wish to contribute, the auto-IRA may be the better fit. For an employer that wants to contribute and can use the tax credits, a sponsored plan may be. The right choice depends on the goals, budget, and workforce of the business.

The 401(k) is not the only alternative. Several qualified plans satisfy the mandate, and the right one depends on the size and goals of the business. Options include a safe harbor 401(k), a SIMPLE IRA, a SEP IRA, profit sharing, and, for firms wanting larger owner contributions, a 401(k) paired with a cash balance plan. We can help match the plan type to the business.

Comparing your options before 2027? First Hill Trust Company works with Washington employers weighing this decision and can walk you through both paths so you can choose what fits your business. Contact us to talk it through.

About First Hill Trust

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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 governed today, click the link to schedule a brief review, or contact us (206) 625-1800.



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References to ERISA, the Internal Revenue Code, SECURE 2.0, Washington Saves, or other federal or state laws, regulations, or government programs are general summaries only and should not be interpreted as legal guidance or a complete statement of the law. Laws, regulations, agency guidance, and program requirements are subject to change and interpretation. Examples and illustrations are simplified for explanatory purposes and may not reflect every circumstance or apply to every employer or retirement plan.

Unless otherwise noted, figures, contribution limits, tax credits, and other numerical examples are current as of 2026 and are subject to change. IRS contribution limits and catch-up amounts are adjusted periodically for inflation. Eligibility for SECURE 2.0 tax credits depends on individual facts and circumstances. Certain Washington Saves program provisions, including default contribution rates, investment options, and implementation details, remain subject to final program rules and may change before implementation.

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