

Administrative Retirement Services, Inc.
2 S. 545 IL Route 53
Glen Ellyn, IL 60137
Phone (630) 942-0010, Fax (630) 942-0020
Visit us on the web at www.ars401k.com



Safe Harbor Flip Flop

(A method to save employers money)

Safe Harbor Flip Flop is a plan design Administrative Retirement Services, Inc. (ARS) offers that will save an employer significant cost while enabling annual individual maximum 401(k) contributions. This design highlights how important it is to retain an experienced professional to work on your retirement plan. The expertise of your retirement professional parallels the expertise of the right doctor or attorney and ensures the success of your retirement plan. Retirement plans represent one of the largest assets for most business owners and participants, so making sure you have a technical and detailed administrator is vital to the success of the plan. Now more than ever you get what you pay for with service providers.

ARS employs knowledgeable, caring pension professionals that have over 20 years of administrative and plan design experience. Each of our experts holds at least one third party designation confirming our knowledge base. We have each completed the requirement for the Qualified 401(k) Administrator (QKA) designation offered by the American Society of Pension Professionals (ASPPA). In addition, we have two CPAs, staff members that have a Masters of Taxation, a Master of Business Administration and a Masters of Accounting and Financial Management. The consulting and plan design you will receive from ARS will come from qualified, highly experienced experts.

Safe Harbor Flip Flop is a sophisticated plan design that makes use of a fiscal plan year specifically for the retirement plan. By adding a safe harbor provision to alternating fiscal plan years, the business owners can make full calendar year 401(k) contributions and skip making a safe harbor contribution every other fiscal plan year. We'll walk you through this idea below in both text and visually. First we'll define a few important concepts.

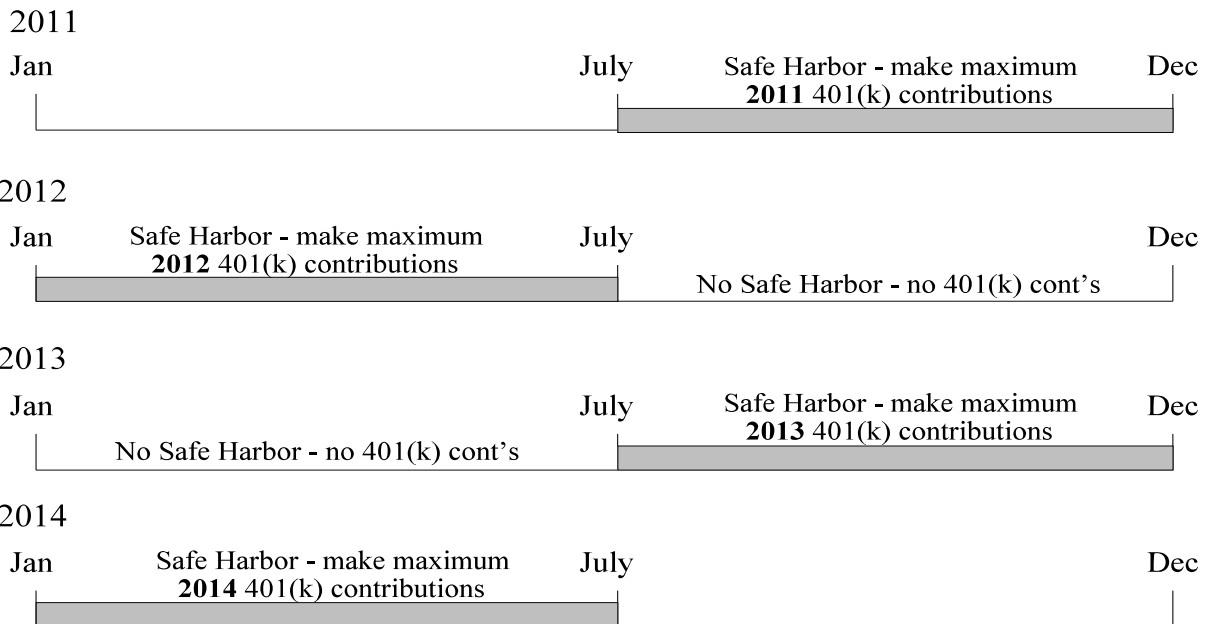
Safe Harbor - a plan provision that allows a plan to automatically pass the nondiscrimination and top heavy tests. By adopting safe harbor the plan sponsor commits to contributing either a 3% nonelective contribution or a 4% match for a given plan year. Safe harbor contributions are 100% vested immediately.

Plan Year - the plan must define the year in the plan document. Many plan years are defined as the calendar year, though the plan year can be defined as any consecutive 12 month period. In the flip flop explanation below, we discuss a plan year that spans July 1st - June 30th.

401(k) Limit - the 401(k) limit is a calendar year limit. The 401(k) limit for 2011 is \$16,500 plus an additional \$5,500 for employees age 50 and over. The 401(k) contributions made for the 2011 calendar year can be made any time during the 2011 calendar year.

Now that you have an understanding of those base concepts, we'll move on to describe the Safe Harbor Flip Flop plan design. The first step is to amend the plan, if needed, to a fiscal plan year. This is a one time amendment. The next step is to amend the plan to adopt safe harbor for the first fiscal plan year before the plan year begins. Both items can be included in one amendment. A safe harbor amendment will be required for each future plan year to remove and add the safe harbor provision for alternating years.

The next step is for the business owners and all highly compensated employees (HCEs) to make up to the maximum calendar year 401(k) contribution during each 6-month period within the fiscal plan year in which safe harbor is adopted. A safe harbor contribution will also be made during this fiscal year. In the following fiscal year, the owners will make NO 401(k) contributions and NO safe harbor contribution. The effect is that the business owner and HCEs are able to make up to the maximum 401(k) contribution every calendar year, but the company only has to make a safe harbor contribution every other fiscal year. This plan design saves the company money. You can see this visually here:



To discuss this or any other plan design questions you may have or to make this change to your plan, contact Administrative Retirement Services, Inc.

© Administrative Retirement Services, Inc. 2011

Published by Administrative Retirement Services, Inc., Copyright 2011 by Administrative Retirement Services, Inc. Reproduction in whole or in part is prohibited except by written permission. All rights are reserved. Information has been obtained by Administrative Retirement Services, Inc. from sources believed to be reliable. However, because of the possibility of human or mechanical error by our sources, Administrative Retirement Services, Inc. or others, Administrative Retirement Services, Inc. does not guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions or the result obtained from the use of such information. Readers should seek specific advice before acting with regard to the subjects mentioned here.