



What Are My Options (and Deadlines) for Implementing a Retirement Plan This Year?

Facts

We've been debating implementing a 401(k) plan for 2020. After much back and forth, we've decided its "a go!" for this year. Since we are still in a more relaxed summer vacation mode, we'd like to wait until sometime this fall to really get rolling on implementation.

Question

Is there any rush to get moving on a plan right now?

Answer

While there's no immediate rush to establish a plan for 2020, the sooner you make the move, the more options you have for this year. As we get closer to year-end, the plan design options for 2020 narrow and it may be less likely you're able to implement your chosen design this year. So, if you've got your heart (and budget) set on a specific design, sooner is definitely better than later for maximum flexibility.

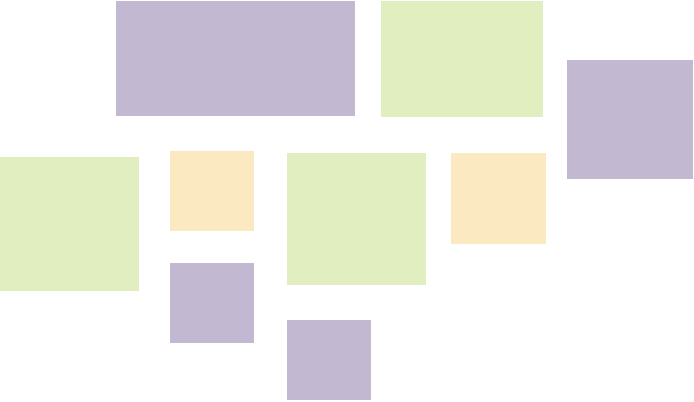
If You're Looking to Start a Plan for 2020, Here's What You Need to Know:

Safe Harbor 401(k) Plans

Let's start with [safe harbor plans](#). If you don't currently have a qualified plan in place, you have until October 1, 2020 to setup a safe harbor 401(k) plan for the 2020 calendar year. The reason for the October 1st date is that a plan must be in place for at least three (3) months out of the year to take advantage of safe harbor provisions. And sure, at this point with the heat and humidity high, October may seem a way's away, but remember that there's more to plan implementation than just deciding to move forward.

To meet this initial October 1st deadline, the plan must be fully established and ready to accept participant 401(k) deferrals beginning with your first pay date in October (at the latest). Starting now, that leaves just under two months to:

- Select all plan service providers,
- Decide on plan provisions (such as eligibility and contribution types) to be offered,
- Execute the legal plan documents,
- Confirm the investment menu and set up the recordkeeping system,
- Educate and enroll participants, and
- Set up withholding on your payroll system.



Don't worry...it is still very much do-able to get this done in time for October 1st, but it's definitely to time to put the pedal to the metal if you are thinking safe harbor for 2020.

Need some help getting started with selecting your plan service providers? We've got resources for you [here](#) and [here](#).

Other Options

If safe harbor isn't your speed, you can take a little more time to soak up the sun as the deadline for a tested 401(k) plan is December 31, 2020. Realistically, if you're going to offer a 401(k) provision for 2020, the plan must be in place in time to withhold contributions from payroll. You'll want to back into your implementation timeline accordingly, because all those steps mentioned above still have to happen.

If you don't have the bandwidth now and/or year-end sneaks up on you, there are finally some solid options (thanks to the [SECURE Act](#)) available after December 31, 2020. You now have the ability to establish a [profit sharing plan](#) (without a 401(k) provision) or [cash balance plan](#) for 2020 as late as the due date (with extensions) of the company's tax return. That means you could have until as late as September or October of 2021 (depending on your type of business entity) to setup and fund a plan for the 2020 tax year!

Since new plans may also qualify for certain tax credits, we've got you covered with our handy-[dandy tax credit calculator](#) to give you the lowdown.

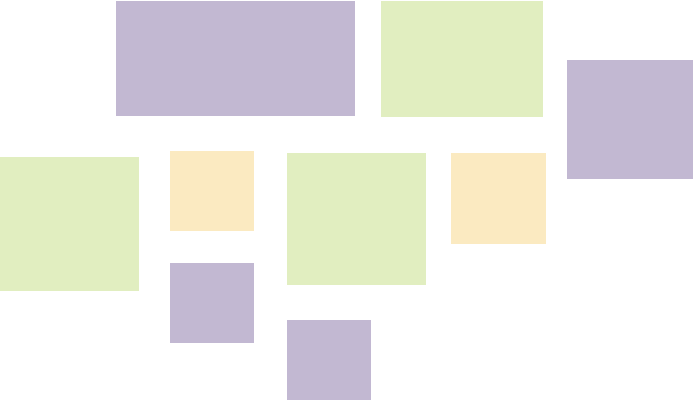
Already Have a Plan but Thinking About Safe Harbor? Keep Reading.

If you already sponsor a 401(k) plan and are considering the addition of a safe harbor provision, you may still have plenty of time to do so for both the 2020 and 2021 plan year, depending on whether you are looking at the safe harbor match vs. the nonelective contribution.

We'll start with the match since the deadline for that has not really changed. Because the safe harbor match must be added no later than 30 days before the start of the year, it is too late to use that feature for 2020. If you would like to add it for 2021, the deadline to provide participants with the required notice is December 1, 2020, and you must adopt an amendment to the plan no later than December 31, 2020. This earlier amendment and notification makes sense if you think about it, as the safe harbor matching is really only beneficial for participants if they know about it and can factor that in their decision on how much to defer.

The safe harbor non-elective feature offers much more flexibility. There are a few potential deadlines to remember, so stick with us as we talk through each.

- **December 1, 2020:** This is the deadline to add the safe harbor non-elective provision for the 2020 plan year and keep the required company contribution at 3% of pay.
- **December 31, 2021:** Yes, you read that correctly. You have an additional 13 months (until the end of next year) to add a safe harbor non-elective feature for 2020. The catch that comes with this extended timeframe is that the required company contribution increases from 3% to 4% for the year.



If this feels like a lot of moving pieces, we understand. To help remove some of the guesswork and mental calisthenics, we've created this [plan implementation calculator](#) to help you figure out what your options are (and when). Simply plug in some basic company information (fiscal year, type of business entity) for a list of the implementation deadlines by plan type.

Remember, there are the regulatory deadlines we've reflected above and included in our calculator, but it's also important to work backwards from these dates when figuring out your implementation timeline. With so many steps to complete before your plan goes "live" you want to ensure you have ample time for all the set-up work in advance of those regulatory deadlines. Need some support to make sure you've got things in place and on time? [DWC](#) is happy to help!



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