REQUIRED DECISIONS TO SET UP YOUR 401(K)

WHO WILL BE THE RESPONSIBLE FIDUCIARY?

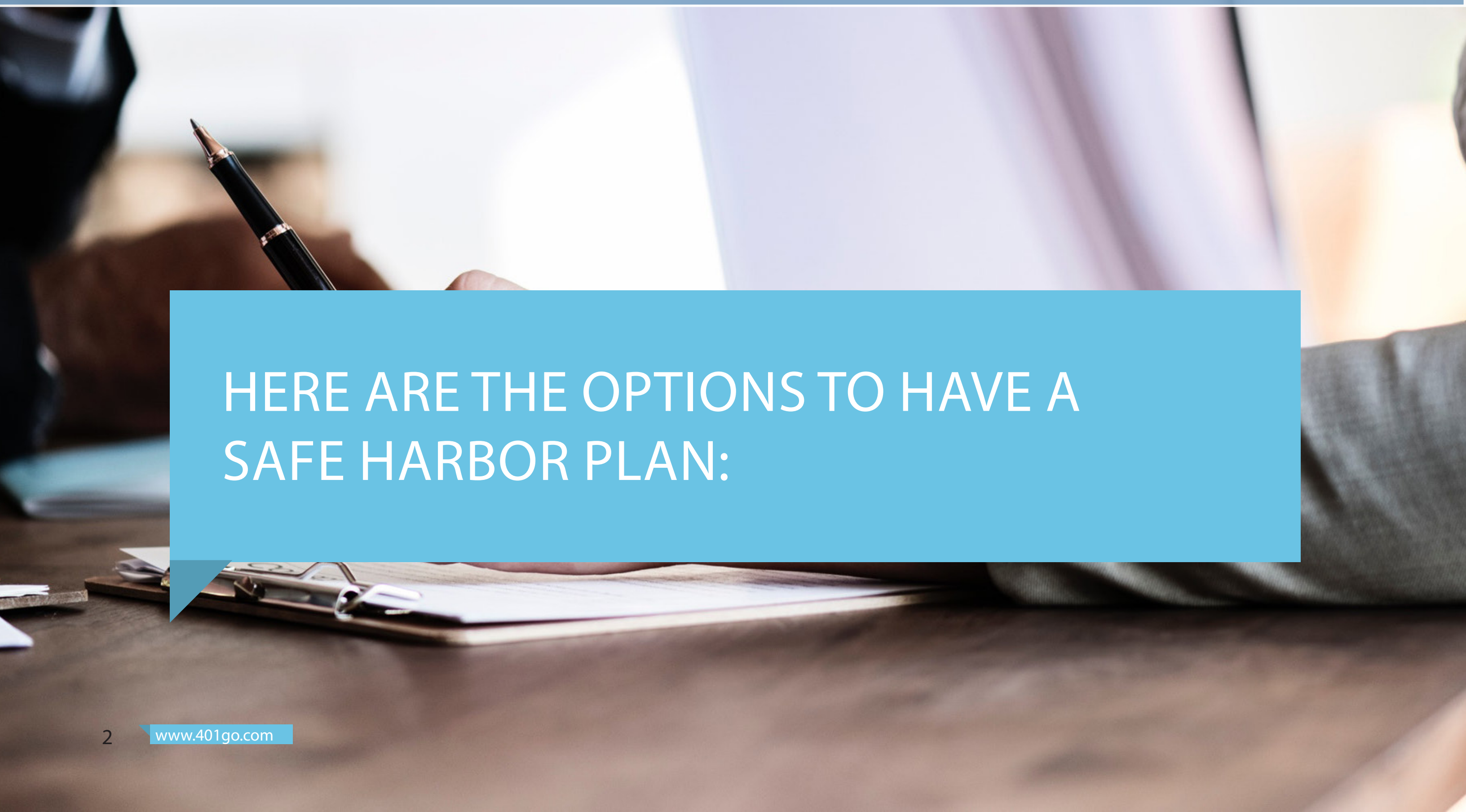
The fiduciary is the person legally responsible for your 401(k). This is typically one of the owners of your company. In some cases, this may be an officer, executive or human resources manager. This person needs to sign all 401(k) documents and should have decision-making power over the 401(k) for your company.

DO YOU CURRENTLY HAVE A 401(K) PLAN?

If you already have a 401(k) plan, there may be restrictions on making significant changes from your current plan to a new one. Most of these restrictions are in place when you have a Safe Harbor Plan. We will need a copy of your current plan document to verify what needs to be done going forward.

DO YOU PLAN ON MAKING COMPANY CONTRIBUTIONS?

Although we recommend setting up your 401(k) as a Safe Harbor plan to be exempt from mandatory nondiscrimination testing, you can still provide a match with a formula that is less than the proposed Safe Harbor formulas. Please keep in mind, whatever match formula you choose must be uniform and apply to all eligible participants that are deferring contributions into the plan. Additionally, your plan may be subject to refunds or a guaranteed contribution if the plan fails nondiscrimination testing. In an effort to avoid that failure, we again recommend selecting a Safe Harbor plan.



HERE ARE THE OPTIONS TO HAVE A SAFE HARBOR PLAN:

1. QACA (QUALIFIED AUTOMATIC CONTRIBUTION ARRANGEMENT)

This option requires the employer to match 100% of the first 1% each participant defers to their 401(k) and 50% of the next 5% deferred. This is the recommended option as it encourages your employees to save the most for retirement with the least cost to you as the employer. For a participant to maximize your matching contribution they would need to defer 6% of their pay to their 401(k). This results in a maximum contribution from the employer of 3.5% of the participants wages.

a. QACA also allows for a few vesting options. First is 100% vested immediately. Second is 50% after the first year and the remaining 50% at the end of year two. Third, 0% the first year, and 100% on year two.

b. As with all auto-enrollment provisions, the QACA option requires that participants opt out of participation or their deferral amount will default to a 3% (or up to 6%) deferral for the first year with a 1% automatic deferral increase each year until they reach 6% (there is no auto-increase on a starting default percentage of 6%). A participant may manually change their deferral percentage. When an employee makes an election on their deferral percentage then their percentage will not automatically increase from year to year.

2. ENHANCED SAFE HARBOR

You can choose to match 100% of participant deferrals of 4%, 5%, or 6%. For example, if a participant defers 6% of their salary to their 401(k) and the employer chose a 4% Safe Harbor match then the employer would contribute 4% of that participants deferred pay to his/her 401(k). If the employer chooses a 6% Safe Harbor match, then the employer would need to contribute 6% of that participants deferred pay to his/her 401(k). The formula selected must be used as it will be included in the plan document. In other words, if you selected the 6%, you could not mid-year reduce this to 4%. That type of change would have to go into effect the following year.

a. Vesting must be 100% immediate for all participants on this plan.

b. Auto-enrollment is optional, but we strongly recommend adding the provision. Participation in auto-enrollment plans is significantly higher than in non-auto-enrollment plans.

c. You must pick matching contribution of 4%, 5%, or 6%.

3. BASIC SAFE HARBOR

This plan requires a 100% match on the first 3% of participant deferrals and a 50% match on the next 2%. This results in a maximum employer contribution of 4%.

a. Vesting is required to be 100% immediate.

b. Auto-enrollment is optional, but we strongly recommend having auto-enrollment added.

4. GUARANTEED CONTRIBUTION

The employer must contribute 3% of each eligible participant's pay annually to their 401(k), regardless if the participant is deferring a portion of their payroll to the 401(k) or not. If an employee will become an eligible participant during a plan year the employer must contribute 3% of that participant's pay for the entire year, not just the time they were eligible to participate in the 401(k).

a. Vesting is required to be 100% immediate.

b. Auto-enrollment is optional, but we strongly recommend having auto-enrollment added.

DON'T WANT TO CONTRIBUTE?

You can also choose not to include employer contributions in your 401(k) plan. Your plan is still subject to nondiscrimination testing whether there is an employer contribution or not. If highly compensated employees and key employees will be deferring compensation into the plan, it is very possible that nondiscrimination testing will fail. The only exemption comes with a Safe Harbor provision. Again, failed nondiscrimination testing can result in either a refund from highly compensated employees and key employees and/or an employer contribution.

If you choose to not make an employer contribution, the plan document will not require any specific amount to be contributed to your employees' 401(k); however, you may still make optional (uniform discretionary contributions) to the plan. You can choose a schedule on how you would like these employer contributions vested and would need to use a uniform formula when providing the matching contributions. These optional contributions do not make this a Safe Harbor plan.

WHEN WOULD YOU LIKE YOUR EMPLOYEES TO BE ELIGIBLE TO PARTICIPATE IN YOUR PLAN?

You can require your employees to work for your company for a certain amount of time before they are eligible to participate in the plan. The service requirement options are 30 days, 60 days, 90 days, 6 months, or 1 year. You can then decide if you want participants to enter the plan on the date that they meet the service requirement, or you can require all participants to enter the first day of the following month after they meet the serviced requirement. These choices are called "Immediate" or "Monthly" entry dates.

All participants that you add to the plan in a census file or manually through the employer dashboard will receive an email with instructions on how to create their own account. When they have their own account, they will be able to log in and make changes to their investments, deferral amounts, etc. They will be notified of the date they will become eligible to participate in the plan.

When you submit payroll, you should enter hours worked and gross pay for all employees, but deferrals will only be taken out of participants payroll after they are eligible to participate in the plan. You will be able to see this when you are processing payroll.

HOW OFTEN CAN AN EMPLOYEE CHANGE THEIR DEFERRALS?

Every time a participant makes changes to their deferral amounts this requires you to make changes to how you run payroll. If you use a payroll company, you will need to report these deferral changes to your payroll provider. If you would like to limit how often participants may change their deferral amount you can select each pay period, monthly, quarterly, or semi-annually. To provide maximum flexibility to your participants we recommend selecting "each pay period."

We allow participants to save changes to their deferral amount at any time. However, when they change their deferral amount they will be notified when that deferral amount will take effect according to your selection. You will be emailed with a list of changes to participant deferrals once per selected period.

401K REINVENTED

OTHER INFORMATION WE NEED TO SET UP YOUR 401(K)

The above questions cover all the business decisions we need to set up your plan. The remaining information should be looked up and available to the person going through the set-up process.

1. Business NAICS code. These codes are created by the IRS. If you look for NAICS IRS codes you will be able to find information to decide what NAICS code applies to your business.

2. Census file. We need to know information about all your employees. The following information is required: SSN, name, phone, email, hours worked year-to-date, compensation year-to-date, years worked more than 1,000 hours, date of birth, address, and if the participant is an officer of the company (CEO, CTO, CFO, etc).

3. The previous year's salaries for all employees who made over $125,000 (*2019 - subject to change each year by the IRS) and the following information for every person who owns 1% or more of the company: SSN, name, prior year compensation, and ownership %.

4. If there is common ownership between this company and another company, there potentially could be a "control group." A control group would require combined nondiscrimination testing for both companies. It is recommended that if there is a control group that the companies are combined under one plan—if one of the companies already has a 401(k) plan, then both plans would need to be tested together. If you think a control group exists we recommend you consult with an ERISA attorney, then during the set-up process provide us with the ownership percentages of the other companies in the control group.

5. In an effort to remind you when to submit payroll data to 401GO we will ask you for your payroll frequency. We will then email you reminders to submit your payroll to 401GO.

6. The person you selected to be the fiduciary must digitally sign the plan documents. If the fiduciary is not the person setting up the plan an email requesting a signature can be sent to the fiduciary.

7. Bank account information is needed. Before you can add your first payroll we need to know bank account information so we can take funds from that account and place them in the plan.