



## Triple Stacked Match Safe Harbor vs. Cross Tested + Safe Harbor

When advising your client as to the most efficient plan design that allows the owner(s) to receive maximum benefit while maintaining cost efficiency, you may wish to recommend the Cross Tested (New Comparability) with Safe Harbor design or the Triple Stacked Match Safe Harbor design.

In many cases the Cross Tested with Safe Harbor (XT SH) Plan is cheaper to the employer than the Triple Stacked Match SH. But obviously this depends on the specific circumstances. There are advantages and disadvantages to both. Knowing these details will help the consultant identify the key employment conditions and properly advise their client to the most advantageous course of action.

For example, under the Triple Stacked Match SH plan eligible employees that don't contribute can be omitted from all of the employer contributions. This is sometimes referred to as a "players only" plan.

However, if the employees tend to defer more, that could increase the cost of the Triple Stacked Match.

On the other hand, if staff members are older in relation to the HCE's, the XT SH could be more expensive.

Remember, the Triple Stacked Match must be "fine tuned" each year to account for Cost of Living Adjustments (COLA) – The employer, however could increase the amount of the fixed match to help account for the anticipated increases and subsequently decrease the discretionary match later.

XT SH requires a minimum "gateway" of the lesser of 5% of comp or 1/3 of the highest allocation rate for the HCE's.

Under XT SH the younger employees are expected to earn more interest over the life of their investments and would thereby convert to a larger annual benefit as a percentage of compensation. A smaller allocation can be made to the younger employee and not be discriminatory.

So, an XT plan can benefit by adding a 3% Safe Harbor feature because:

- The plan is deemed to pass the ADP / ACP tests
- The 3% SH Contribution solves any top heavy issues
- The 3% SH Contribution can be utilized toward satisfying the minimum allocation gateway

Below are two examples of cost comparisons using 2009 limits: **Cross Testing (New Comparability) + Safe Harbor vs. Triple Stacked SH Match**  
**2009**

**Cross Testing (New Comparability) + Safe Harbor vs. Triple Stacked SH Match**  
**2009**

Name	Age	Comp	Deferral
Doctor Ann	50	245,000.00	22,000.00
Doctor Bill	45	245,000.00	16,500.00
Nurse Carla	40	48,000.00	2,000.00
Nurse Diane	32	40,000.00	1,200.00
Clerk Eve	28	30,000.00	0.00
Reception Flo	25	25,000.00	0.00

**Cross Tested + Safe Harbor**

Name	Deferral	3% SH	XT PS	Total
Doctor Ann	22,000.00	7,350.00	25,150.00	54,500.00
Doctor Bill	16,500.00	7,350.00	25,150.00	49,000.00
Nurse Carla	2,000.00	1,440.00	682.45	4,122.45
Nurse Diane	1,200.00	1,200.00	568.71	2,968.71
Clerk Eve	0.00	900.00	426.53	1,326.53
Reception Flo	0.00	750.00	355.44	1,105.44
	41,700.00	18,990.00	52,333.13	113,023.13

**Triple Stack SH Match**

Name	Deferral	SH 3%/5%	2/3	87.76%	Total
		Basic Match	Disc Match	Fixed Match	
Doctor Ann	22,000.00	9,800.00	9,800.00	12,900.00	54,500.00
Doctor Bill	16,500.00	9,800.00	9,800.00	12,900.00	49,000.00
Nurse Carla	2,000.00	1,920.00	1,333.33	1,755.10	7,008.44
Nurse Diane	1,200.00	1,200.00	800.00	1,053.06	4,253.06
Clerk Eve	0.00	0.00	0.00	0.00	0.00
Reception Flo	0.00	0.00	0.00	0.00	0.00
	41,700.00	22,720.00	21,733.33	28,608.16	114,761.50

**Cross Tested Employer Expense to NHCE's**

3% Safe Harbor	4,290.00
Profit Sharing	2,033.13
	<u>6,323.13</u>

**Triple Stack SH Match Expense to NHCE's**

Basic Match	3,120.00
Discretionary Match	2,133.33
Fixed Match	2,808.16
	<u>8,061.50</u>

**Net** **1,738.37**

As you can see, even though 2 employees receive no ER Contributions in the Triple Stack SH Match plan since they didn't have any deferrals, the overall cost to the Employer is still higher in contrast to the XT SH plan design.

If you have a plan with a lot of employees however who don't defer, the cost could swing the other way. If the compensation is higher on the average, the XT SH could exceed the cost of the Triple Stack SH Match.

If employees defer more, the Triple Stack SH Match climbs in cost.

Apart from looking strictly at cost – if the amounts are close to the same, the employer may have other intrinsic values to consider. The XT SH gives a benefit to all eligible employees, not just those who defer. This may be valuable in terms of goodwill toward the employees and a possible recruitment plus. On the other hand, the reward to those who set aside for their retirement future is greater in a Triple Stack SH Match than a XT SH plan. It's all a matter of the owners' philosophy.