



Make Your 401(k) a Strategic Advantage in 2026

Attract top talent, prepare for IRS
changes and strengthen retention

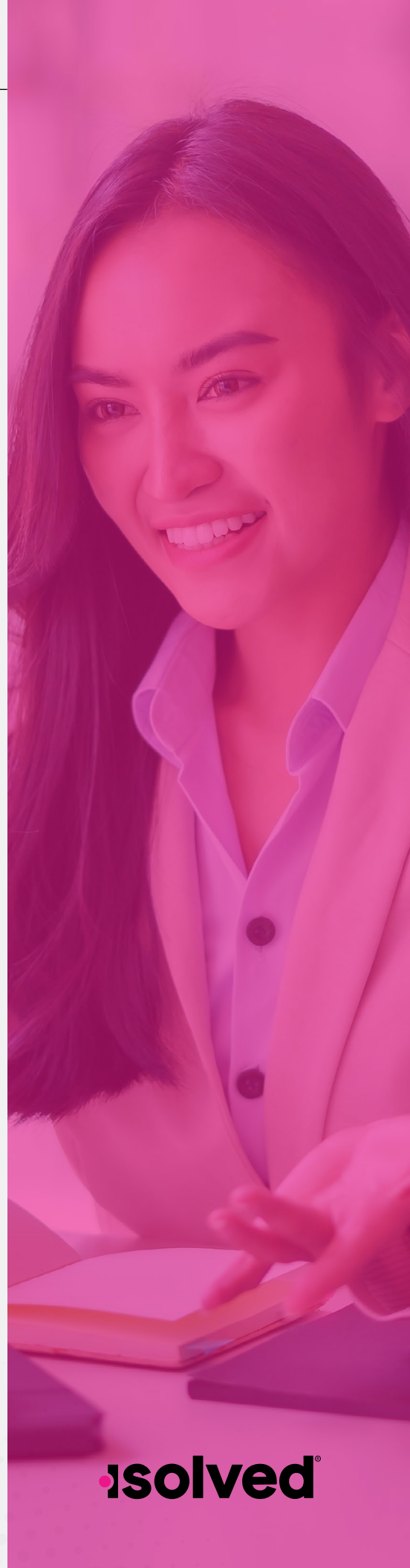
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Why Your 401(k) Matters Now

Your 401(k) plan does more than help your employees save money. It's a powerful way to attract top talent, retain your best people and keep your business competitive. With important changes in 2026, it's the perfect time to review whether your current retirement offering supports your goals and your employees' financial futures.

Inside this guide, you'll learn:

- How new IRS 401(k) limits for 2026 impact your business
- Differences between Traditional and Safe Harbor plans
- Critical questions to help you set up or improve your plan
- Key compliance duties every plan sponsor needs to know



What Is a 401(k) Plan and How Does It Work?

A 401(k) is an employer-sponsored retirement plan. Employees automatically contribute a portion of their paychecks into investment accounts like mutual funds, stocks and bonds. Contributions and growth are tax-deferred, meaning employees don't pay taxes until they withdraw the funds in retirement.

Providing a 401(k) plan is a win-win for your business and your workforce. Here's why:

For Your Business

- Helps attract and retain top talent in a competitive job market.
- Provides tax advantages, including deductions for employer contributions and deferred taxation on earnings.
- Assists with compliance, helping businesses meet state mandates (where applicable).
- Supports employee financial wellness, which can lead to higher engagement and productivity.

For Your Employees

- Allows employees to decide how much they want to contribute based on their financial goals.
- Moves with employees, so they can take their savings with them when they change jobs.
- Helps savings grow over time through investments in stocks, bonds, mutual funds and more.
- Offers tax advantages because contributions aren't taxed until withdrawal, helping employees keep more of their earnings.



What is Changing in 2026?

The IRS raised 401(k) contribution limits for 2026, making it easier for employees to save and for employers to contribute more.¹

Here's what's new:

Employee Contributions:

Up to \$24,500, an increase from \$23,500 in 2025.

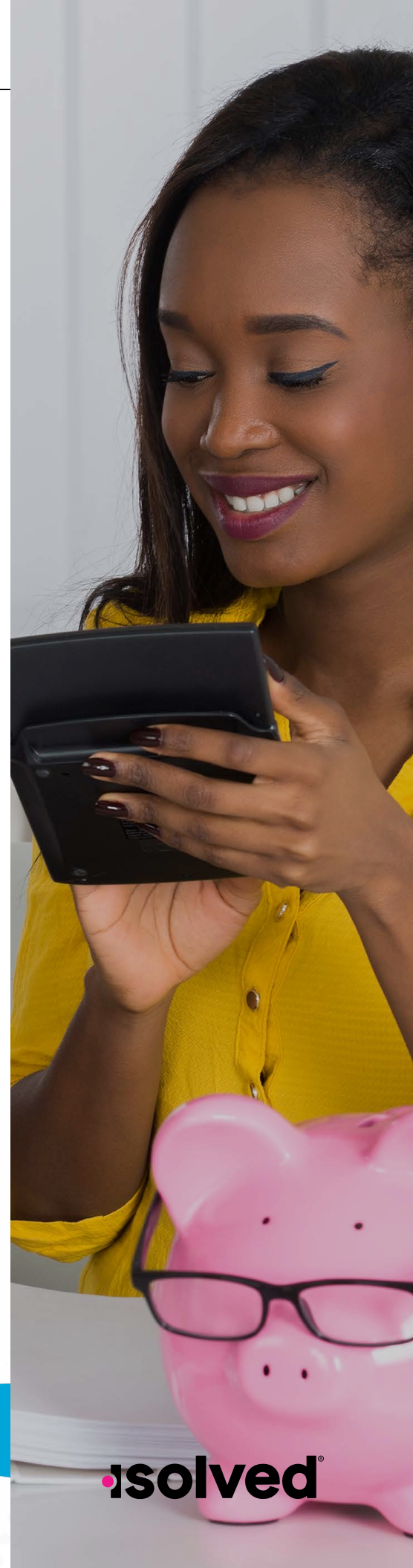
Combined Employee and Employer Contributions:

Up to \$72,000, an increase from \$70,000 in 2025.

Catch-up Contributions

- **Ages 50-59 and 64+:** Extra \$8,000, increasing the total limit to \$32,500.
- **Ages 60-63:** Employees in this age group will be eligible for a higher catch-up contribution limit. Under SECURE 2.0, those participating in 401(k) plans can contribute an additional \$11,250.

¹IRS limits are indexed annually.



Choosing the Right 401(k) Plan

The structure of your 401(k) plan contributions² affects compliance, flexibility and employee engagement. Below is a quick comparison of two types of plans:

Traditional 401(k) plans

Employees boost their retirement savings by making pre-tax contributions directly from their paychecks through traditional plans.

- **Match:** Flexible and may include up to a 6-year vesting schedule, 100% tax deductible.
- **Nonelective:** Flexible and may include up to a 6-year vesting schedule, 100% tax deductible. There are two types:
 - **Pro-rata allocation:** All employees receive the same percentage.
 - **New comparability:** Different percentages for different groups.

Safe harbor 401(k) plans

Unlike traditional 401(k) plans, safe harbor 401(k) plans require fully vested employer contributions.

- **Match:** 100% match on the first 3% of deferrals, plus 50% match on the next 2% (i.e., 4% match for a 5% deferral). Fully vested.
- **Nonelective:** All eligible employees receive 3%, even if they don't participate.
- **Enhanced Match:** 100% match on 4% deferral. Fully vested.
- **Qualified Automatic Contribution Arrangement (QACA) Match:** 100% match on the first 1% of deferrals, plus 50% match on the next 5% (i.e., 3.5% match for a 6% deferral). Two-year vesting. It requires automatic enrollment starting at 3% and increasing annually to 10%.

Key Difference

Traditional 401(k) contributions² can change at any time during the year, while Safe Harbor contributions are typically set for the entire plan year (under specific circumstances, some changes are permitted mid-year).

²Maximum employer contributions are limited to 25% of the compensation for all employees for the plan year.

How to Decide What's Right for Your Business

Whether you're evaluating an existing plan or considering a new one, focus on these key areas:

Set eligibility rules that align with your workforce and retention strategy.

Choose the right plan structure for your business and employee needs.

Automatic enrollment is required, which increases participation and reduces manual sign-ups.

Offer a Roth 401(k) to give employees tax-free retirement income.

Provide information support to help employees make confident financial decisions.

A 401(k) should evolve with your business. Taking the time to assess your plan ensures it remains a strategic advantage, helping you find and keep top talent while keeping your business ahead of the competition.



401(k) Plan Checklist

Plan Setup and Design	Yes	No
Have you chosen the right 401(k) plan type for your business?		
Have you decided if you will match employee contributions or make nonelective contributions?		
Have you set eligibility rules, like how long employees must work before they can participate?		
Have you created a written plan that outlines contributions, investment options and how the plan is managed?		
Employee Communication		
Have you clearly informed employees about their 401(k) options and how to enroll?		
Have you provided easy-to-understand resources to help employees make investment decisions?		
Will you offer a Roth 401(k) option for employees who want tax-free withdrawals in retirement?		
Have you considered automatic enrollment to encourage participation?		
Investment and Financial Management		
Have you selected investment options that fit a variety of risk levels for employees?		
Will employees choose their own investments, or will a financial professional manage them?		
Have you arranged a trust or insurance contract to protect plan assets?		
Compliance and Legal Responsibilities		
Do you understand your fiduciary responsibilities?		
Have you set up a process to regularly review your plan's investment options and fees?		
Are you following all federal and state laws related to offering a 401(k) plan?		

401(k) Plan Checklist

Administration and Recordkeeping	Yes	No
Are you working with a reliable provider to handle recordkeeping and reporting?		
Do you have a process in place to make contributions on time and keep payroll deductions accurate?		
Are your plan documents and records organized and up to date?		
Ongoing Plan Review and Improvement		
Do you review your plan each year to make sure it still meets your business and employees' needs?		
Have you asked employees for feedback to improve the plan?		
Have you benchmarked your plan against other providers to assess whether you are maintaining a competitive offering?		

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