Key Highlights

SECURE Act 2.0

On December 23rd, Congress passed the Consolidated Appropriations Act of 2023, an omnibus spending bill that includes the much-anticipated retirement bill known as SECURE Act 2.0. The bill holds 92 provisions related to retirement, but here are some of the key items that will have an impact on individuals and employers:

Impact on Individuals

- Required Minimum Distribution (RMD) age increases to age 73 starting on 1/1/2023 and increases to 75 starting on 1/1/2033.
- Catch-up contributions will increase to $10,000 in 2025 for participants ages 60-63 (Possibly more under inflation indexing).
- Beginning in 2024, if your wages are $145,000 or more, employer plan catch up contributions can only be Roth dollars, meaning non-deductible.
- Starting in 2024, RMDs from Roth accounts in employer plans are eliminated.
- Simple IRAs and SEP IRAs can now be Roth.
- Beginning in 2024, Simple IRAs can be replaced with a Safe Harbor plan during the plan year.
- Employers can elect to have matching contributions be made on a Roth vs. pre-tax basis.
- Qualified Charitable Distributions will remain at age 70 ½.
- Beginning in 2024, employees making qualified student loan payments can have those payments matched in a retirement plan without inclusion in nondiscrimination testing.
- 529 funds that are not used for education are eligible to be rolled into a Roth IRA, with limitations:
    - 529 must be open for at least 15 years.
    - If any contributions were made in the previous 5 years, those funds are not eligible.
    - Limited to IRA annual limits.
    - Lifetime limit of $35,000.

The SECURE Act 2.0 arrives nearly 3 years to the day after its predecessor, the original SECURE act, was passed in late 2019.

Over the next few months, further guidance will be given on the implementation of these new provisions.

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Impact on Employers

- Plan start-up costs will be reduced due to a large increase in tax credits. The credit increases to 100% of costs per year for 3 years to a max of $5,000/year for employers with fewer than 50 employees. There is also an additional credit of $1,000 for offering an employer match provision.
- Beginning in 2025, new plans with 11+ employees who have been in business for 3 or more years, must include auto-enrollment at a minimum of 3% and auto-escalation up to a minimum of 10%.
- A variety of administrative items become less complex starting in future plan years due to relaxed rules for discretionary amendments, notices, etc.
- Beginning in 2025, long-term part timers who work 500 hours or more in 2 consecutive years must be offered the plan. This will be based on hours worked in 2023 and 2024.
- Beginning in 2026, One participant statement per year must be mailed instead of e-delivery.