Secure Act 2.0 Top Provisions

The Secure Act 2.0 adds about 100 changes to current government-regulated retirement plans for individuals or employers. Here is a brief overview of some of the changes that apply to expanded savings, required minimum distributions, college loans and savings, emergency funds, Roth plan additions, and expansion, as well as changes to the governance of annuities.

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1) Starter 401k – follows IRA contribution limits and allows employee contributions.
2) De minimus benefits as incentives to start in the plan, i.e., gift cards or other perks
3) Saver's credit that can go into your account rather than a non-refundable credit
4) Automatic enrollment that starts between 3% & 10%
5) Automatic escalation of 1% per year to a max of 15%
6) 50 EE Small Business Start-up credit. 100% up to $5,000 cap
7) Required Minimum Distribution Changes
   a) RMDs for lifetime annuities are simplified to regular RMD valuation
   b) Pushback distribution ages
      i) 73 in 2023
      ii) 75 in 2033
   c) No more ROTH pre-death RMDs
   d) Reduction in RMD penalty tax from 50% to 25% & 10% for those that are paid back timely
8) IRA catch-up provision at age 50 and above is now indexed for inflation from the 2023 level of $7,500
   a) Higher catchup provisions for ages 60 to 63; this doesn't start until 2025.
   b) $10,000 or 50% more than traditional catch-up provision.
9) SIMPLE contributions from employers have been increased but are optional
10) College Savings & Loans
   a) Ability to transfer leftover 529 balances to a Roth account
   b) $35,000 lifetime amount and is subject to the annual Roth contribution limit
   c) Income limits do not affect the contribution limit for transfers

- d) 529 must be 15 years old
- e) College loan repayment can be made with the employer match option for employer retirement plans

11) Retirement Emergency funds
    - a) Retirement plan linked account with a $2,500 limit, the safety of principle assured, and a reasonable rate of return. Allows up to four withdrawals per year with no penalty or fee.
    - b) A 10% emergency fund exception up to $1,000 for unforeseen emergencies over a 3-year period and then this can be paid back.
    - c) The 10% withdrawal penalty is waived for terminal illnesses
    - d) A 10% withdrawal penalty for domestic abuse survivors up to $10,000
    - e) A 10% withdrawal penalty for taking out retirement funds to pay for expenses incurred in a federal disaster, up to $22,000
    - f) The withdrawal for the domestic abuse and federal disaster exception can be spread over three years. Plus, the withdrawal can be repaid back, and the income taxes can be recovered.
12) Annuity changes on Qualified Longevity Annuity Contracts or QLACs
    - a) There is no longer a 25% cap on QLACs
    - b) The limit on premiums for QLACs has been increased from $125,000 to $200,000
    - c) Some spousal benefits are also now allowed on QLACs, including provisions for divorce
    - d) Lifetime income benefits will be allowed on certain annuities inside of qualified plans and IRAs. There is an allowance for balancing the required minimum distributions as long as it is less than an increase of 5% per year
    - e) An allowance is also made for a return of premium at death if it is part of the annuity within a qualified retirement plan.
13) Charitable Contribution Changes
    - a) Qualified Charitable Distributions can start after the age 70
    - b) Money from an IRA can be sent directly to a qualified charity
        - i) $50,000 one-time contribution to a charitable gift annuity (CGA) or a charitable remainder unity trust (CRUT)

    i) The CRUT will be more likely because of the ability to fund over time as opposed to the CGA, which must be funded at once.
    ii) QCD or qualified charitable distributions of $100,000 are not indexed with inflation.

14) Roth Changes
    i) SIMPLE and SEP plans can now have Roth account options; the employee has the choice.
    ii) SIMPLE and SEP matching contributions can be put into a Roth account
    iii) High-income earners with $145,000 yearly must have their catchup contribution contributed to a Roth account. The $145,000 is indexed with inflation. This provision begins in 2024.
15) National Lost and Found Registry for retirement plans
16) No 10% penalty for LTC premiums up to $2,500 per year
17) Rollover forms must be standardized by 2025

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