Summarizing the SECURE 2.0 Act

GM ADVISORY GROUP
WEALTH MANAGEMENT

Provisions beginning after the date of enactment (tax year 2022)

1. **Reduction in penalty on failure to take required minimum distributions (RMDs)**
   • The penalty for individuals who fail to take RMDs will be reduced from 50% to 25%. If a failure to take a required minimum distribution is corrected in a timely manner, the penalty on the failure is further reduced from 25% to 10%.
2. **Optional treatment of employer matching or nonelective contributions as Roth contributions**
   • Employees are eligible to designate part or all matching contributions as designated Roth contributions.
3. **Qualified Charitable Distributions (QCDs)**
   • Individuals who are eligible to make QCDs will be allowed a one-time $50,000 distribution to charities through charitable gift annuities, charitable remainder unitrusts, and charitable remainder annuity trusts.
   • The current annual IRA charitable distribution of $100,000 will rise annually to keep up with inflation.
4. **First-year elective deferrals for Sole Proprietors**
   • An individual is deemed to have contributed to an IRA for a tax year if it's contributed after the tax year has ended but is made before the due date for filing the IRA owner's tax return for that year without extensions (April 15).

Provisions beginning in 2023

1. **Increased age for RMDs**
   • The RMD age has increased to age 73 from age 72.
   • The RMD age will be stepped up to age 75 starting in the year 2033.
2. **SIMPLE and SEP Roth IRA contributions**
   • Roth contributions can be made to SIMPLE IRAs.
   • Employers can offer employees to treat employee and employer SEP contributions as Roth contributions, in whole or in part.

Provisions beginning in 2024

1. **Rollover 529 plan to a Roth IRA**
   • Individuals can roll up to $35,000 from a 529 Plan Account to a Roth IRA Account in the name of the student beneficiary. To qualify for the rollover, the 529 plan account must have been in existence for at least 15 years. Rollover amounts are subject to IRA annual contribution limits. Individuals cannot roll over any contributions or earnings on contributions made in the past 5 years.
2. **Catch-up contribution limit indexed to inflation**
   • The current $1,000 cap on catch-up contributions will rise annually to keep up with inflation.
3. **Penalty-free withdrawals**
   • Individuals could withdraw up to $1,000 per year from their retirement accounts for certain emergency expenses.
   • Domestic abuse individuals could withdraw up to $10,000 from their retirement account.
   • Individuals can withdraw up to $22,000 for any federally qualified disaster in all taxable years.
4. **Catch-up contributions treated as Roth**
   • Catch-up contributions are subject to mandatory Roth tax treatment, except for those whose wages do not exceed $145,000.
5. **Removing Roth 401(k) RMDs**
   • Individuals with Roth 401(k)s will not be required to take pre-death distributions.
6. **Starter 401(k) plans for employers with no retirement plan**
   • A starter 401(k) deferral-only arrangement plan will be established. Each employee who is eligible to participate must be treated (unless the employee elects otherwise) as having elected to have the employer make elective contributions equal to the applicable qualified percentage of compensation.
7. **Student Loan Payment Matching**
   • Employers are allowed to make matching contributions to retirement plans with respect to qualified student loan payments.

Provisions beginning in 2025

1. Higher catch-up limit to apply at age 60, 61, 62, and 63

- Individuals could contribute the greater of $10,000 or 150% of the regular catch-up contribution amount (i.e., If this provision were in place for 2023, an individual could contribute the maximum amount to their 401(k) of $22,500 plus a catch-up contribution of $7,500 plus an additional 50% of the catch-up contribution [$3,750] for a total contribution of $33,750).
- All catch-up contributions for workers with wages over $145,000 during the previous year must be deposited into a Roth account.

2. Automatic enrollment for 401(k)

- Employers are required to automatically enroll newly hired employees with a minimum contribution limit of 3% (unless the employee opts out or elects otherwise). The contribution percentage will automatically increase by 1% annually up to at least 10% but no more than 15%. This provision would not apply for small businesses with 10 or fewer employees, those in business for less than three years, church plans, and governmental plans.

3. Improving coverage for part-time workers

- A long-term part-time employee service requirement will be reduced from three to two years.

Provisions beginning in 2027

1. Saver's Match

- Taxpayers who contribute to retirement plans and whose income is between $41,000 and $71,000 for married filing jointly (or $20,500 to $35,500 for single taxpayers and married filing separate or $30,750 to $53,250 for head of household filers) will be eligible for a 50% matchup to $2,000 in contributions from the government.