



ADVISORY | ACTUARIAL | ADMINISTRATION

SECURE ACT 2.0

Presented by ERIC ENDRESS, CFA, AIF® | 1.19.2023

LEGISLATIVE UPDATE | Financial Planning Association of NE Ohio

SECURE ACT 2.0

- SECURE Act 2.0 was included in DIVISION T of the much larger Consolidated Appropriations Act of 2023 (CAA 2023) that was passed to fund the government through September 30, 2023
- President Biden signed CAA 2023 into law on December 29, 2022 (Date of Enactment)
- SECURE Act 2.0 included 90 retirement provisions
- SECURE Act 1.0 was passed in December 2019



SECURE ACT 2.0

KEY PROVISIONS EFFECTIVE 2023

SECURE ACT 2.0

Effective 2023:

- Increases the plan start up tax credit for small employers
 - » Increased from 50% to 100% up to \$5,000/year for < 50 employees
 - » New - up to \$1,000/year for employer contributions (phased)
- Creates nonrefundable tax credit for small employers employing military spouses
- Extends small employer startup credit to those joining MEPs
- Increases age for Required Minimum Distributions (RMDs) from 72 to 75 over time
 - » Age 73 – Effective 2023
 - » Age 75 – Effective 2033
- Reduces excise tax for failure to receive RMDs
 - » 50% to 25%
 - » 10% if RMD is corrected within 2 years
- Permits 403(b) plans to invest in Collective Investment Trusts (CITs)
 - » However, SECURE Act 2.0 does not address securities law issues which may prohibit CITs

SECURE ACT 2.0

Effective 2023:

- Allows employer match and/or nonelective contributions to be designated by participants as Roth contributions; amounts so designated would be included in the participant's income
 - » Optional provision by employer
 - » Employer contribution must be 100% vested when contributed
- Allows 403(b) plans to join MEPs/PEPs under the same rules as qualified plan MEPs/PEPs
- Allows SIMPLE and SEP IRAs to be designated as Roth IRAs
- Creates an exception to 10% penalty on early qualified plan distributions for terminally ill participants
 - » Physician must certify that the participant has an illness or condition that is reasonably expected to result in death in 84 months or less

SECURE ACT 2.0

Effective 2023:

- Employer may rely on employee certifying that deemed hardship distribution conditions are met (self-certification)
 - » Exception where the plan administrator has actual knowledge to the contrary
- Small immediate financial incentives for contributing to a plan
 - » De minimis incentives to employees for electing to make salary deferral contributions (example: gift cards)
- Require recontribution of qualified birth and adoption distributions (QBADs) within 3 years
 - » Repayment period for prior QBADs is 12/31/2025

SECURE ACT 2.0

KEY PROVISIONS EFFECTIVE 2024

SECURE ACT 2.0

Effective 2024:

- Introduction of Starter 401(k) plans and Safe Harbor 403(b) plans for employers with no retirement plan
 - » Employees can defer up to the IRA contribution limit (\$6,500 for 2023) (\$1,000 age 50 catch up)
 - » Both limits are indexed for inflation
 - » Requires automatic enrollment at least 3% with the ability to opt out
 - » Does not require employer contributions or compliance testing
- Permits early, penalty-free withdrawals in the case of domestic abuse
- Increases involuntary distribution limit to \$7,000 from \$5,000
- Requires age 50 catch up contributions to be Roth contributions for certain highly paid employees
 - » Roth applies to participants whose prior year wages were more than \$145,000 (indexed for inflation in \$5,000 increments)
- Allows employers to treat student loan repayments as deferrals for match contribution calculation

KEY PROVISIONS

SECURE ACT 2.0

Effective 2024:

- Indexes age 50 IRA catch up contributions in \$100 increments for inflation
 - » Previously, not indexed and was a flat \$1,000
- Roth retirement plan accounts no longer subject to a RMD during a participant's lifetime
 - » Exempts Roth retirement plan accounts from pre-death RMDs like Roth IRAs
- Employers allowed to replace a SIMPLE IRA with a safe harbor 401(k) plan mid-year



SECURE ACT 2.0

Effective 2024:

- In-service emergency savings withdrawal – Optional
 - » Up to \$1,000 without penalty
 - » Distribution may be repaid within three years
 - » One distribution per year
 - » If account is not “rebuilt”, no distributions available for three years
- Unused 529 balances can be transferred to Roth IRA for same beneficiary
 - » 529 account open > 15 years
 - » Transfers count toward IRA limits
 - » Max \$35,000 over lifetime
- Plan-linked emergency savings accounts (PLESA) – Optional
 - » Allows certain participants to make emergency savings contributions to a plan
 - » Max account balance \$2,500
 - » Contributions treated as Roth
 - » Highly compensated employees may not participate
 - » Must be invested in capital preservation investments
 - » Are eligible for employer match
 - » Minimum monthly distributions
 - » Can be rolled to Roth IRA

SECURE ACT 2.0

KEY PROVISIONS EFFECTIVE 2025

SECURE ACT 2.0

Effective 2025:

- Increases age 50 catch up contribution limit for qualified plans for those nearing Normal Retirement Age (ages 60-63)
 - » Greater of \$10,000 or 150% of catch-up amount for 2024 (indexed for inflation)
- Reduces from 3 years to 2 years for long-term, part-time employees to be permitted to contribute to a plan (500 hours per year)
 - » Applicable to ERISA 403(b) plans as well
- Requires auto enrollment & auto increase for new plans:
 - » 3% minimum / 10% maximum
 - » 1% auto increase up to 10% / 15% maximum
 - » Does not apply to:
 1. 401(k) and 403(b) plans adopted prior to 12/29/2022
 2. Governmental or church plans
 3. SIMPLE plans
 4. New businesses (in existence less than 3 years)
 5. Small employers with 10 or fewer employees
 - » New plans established between 12/29/2022 and 12/31/2024 will have to add this provision in 2025

SECURE ACT 2.0

KEY PROVISIONS EFFECTIVE 2027

SECURE ACT 2.0

Effective 2027:

- Replaces existing Saver's credit with a new government Saver's Match made directly to an IRA or eligible retirement plan
 - » Enhances/simplifies Saver's credit by eliminating tiered percentages
 - » 50% matching contribution up to \$2,000 in retirement savings annually
 - » Saver's Match phases out between \$41,000 and \$71,000 in income for taxpayers filing jointly





YOUR TEAM IS HERE TO HELP.

CONNECT WITH US: [CBIZ.COM/RETIREMENT](https://www.cbiz.com/retirement)

Investment advisory services provided through CBIZ Investment Advisory Services, LLC, a registered investment adviser and a wholly owned subsidiary of CBIZ, Inc. Copyright 2022. CBIZ, Inc. NYSE Listed: CBZ. All rights reserved.