CTSI

TECHNICAL **UPDATE**

Volume 27 Number 42 | October 17, 2023

# SECURE ACT 2.0

The SECURE Act 2.0 was signed into law on December 29, 2022, and builds upon retirement legislation enacted at the end of 2019. SECURE stands for Setting Every Community Up for Retirement Enhancement. The law is designed to substantially improve retirement savings options, including 401(k)s and 403(b)s, in the United States.

The legislation contains 92 new provisions to promote savings, boost incentives for businesses, and offer more flexibility to those saving for retirement. Below is a short list of some of the changes that will be implemented in the next three years:

## AUTOMATIC ENROLLMENT AND PLAN PORTABILITY

Businesses adopting new 401(k) & 403(b) plans will be required to automatically enroll eligible employees and start with a minimum 3% contribution rate, increasing by 1% every year until the contribution hits 10% annually.

## STUDENT LOAN DEBT

Employers will be able to count student loan payments as matching payments into employer sponsored retirement programs.

## EMERGENCY SAVINGS

Employers have the option to offer to their non-highly compensated employees pension-linked emergency savings accounts. Employers may automatically opt employees into these accounts at no more than 3% of their salary, and the portion of an account attributable to the employee's contribution is capped at $2,500. The first four withdrawals from the account each plan year will not be subject to any fees.

## UNUSED 529 BALANCE

After 15 years, any unused balance of a 529 savings plan may be rolled over into a Roth IRA for your beneficiary.

## REQUIRED MINIMUM DISTRIBUTIONS (RMDs)

The age to start taking RMDs increased to age 73 in 2023 and will increase to 75 in 2033. The penalty for failing to take an RMD decreased to 25% of the RMD amount, from 50% currently, and 10% if corrected in a timely manner for IRAs. Starting in 2024, RMDs will no longer be required from Roth accounts in employer retirement plans.

## PENALTY FREE EARLY WITHDRAWAL

Certain circumstances now allow for early withdrawal without penalty. Examples include victims of domestic abuse, terminally ill individuals, and adoption or a qualified birth.

## ROTH CONTRIBUTION REQUIREMENT

Individuals who earn an annual income of $145,000 and make catch-up contributions to an employer sponsored retirement plan, like a 401(k), will have to instead put that money into a Roth IRA account.

## CATCH-UP CONTRIBUTION RATES

Individuals aged 60 through 63 will be able to make a maximum of $10,000 in catch-up contributions annually to their 401(k) accounts. The increased amounts are indexed for inflation after 2025 and are effective for taxable years beginning after December 31, 2024.

### WHAT THIS MEANS FOR COUNTIES

CTSI recommends reaching out to your financial plan administrator or personal financial advisor if any of the changes presented in this Technical Update pertain to you, could benefit your employees, or you want to learn more about the new provisions included in the SECURE 2.0 Act.



800 N Grant St, Suite 400, Denver, CO 80203
(303) 861-0507 | Fax: (303) 861-2832