The SECURE Act 2.0

Retirement Plans

The Setting Every Community Up for Retirement Enhancements (SECURE) Act encourages workplace retirement plan adoption and increases saving opportunities for Americans. SECURE Act 2.0 was recently passed and contains roughly 90 additional provisions, many of which became effective January 1, 2023. Below is a summary of some of the more substantial changes impacting retirement plans:

TOPIC	PRE SECURE ACT 2.0 LAW	SECURE ACT 2.0	EMPLOYER CONSIDERATIONS	EFFECTIVE DATES
Increase in Age for Required Beginning Date (RBD) for Mandatory Distributions	RBD age previously was 72.	For anyone turning 72 in 2023, their first RMD would be in 2024 when they turn 73. The RMD age eventually increases to age 75 starting in 2033.	Make sure RMDs are being taken, if required.	January 1, 2023
Improving Coverage for Part-Time Workers	Part-time workers were required to meet three years of service before being eligible to participate.	Employees must complete either one year of service (with the 1,000-hour rule) or two consecutive years of service (where the employee completes at least 500 hours of service).	Consider amending your plan's eligibility.	January 1, 2023
Small Immediate Financial Incentives for Contributing to a 401(k) or 403(b)	No financial incentives were available to encourage participation.	Enables employers to offer small financial incentives, not paid for with plan assets, such as low-dollar gift cards, to boost employee participation.	Consider small financial incentives to increase participation.	January 1, 2023
Retroactive First Year Elective Deferrals for Sole Proprietors	Employee deferrals were only permitted until December 31, 2022.	Solo(k)s sponsored by sole proprietors or single member LLCs are able to receive employee contributions up to the date of the employee's tax return filing date for the initial year.	Allows more time to establish and fund a Solo(k) with both employer and employee contributions.	January 1, 2023
Increase in Credit for Small Employer Plan Start-Up Costs	Credit for small business owners starting a plan was 50% credit.	Start-up credit increased to 100% for employers with up to 50 employees, up to a $5,000 annual cap. An additional credit is available for five years based on contributions made to defined contribution plans. The credit is a percentage of contributions up to $1,000 per employee.	Consider establishing a retirement plan in 2023 to take advantage of this tax credit.	January 1, 2023

403(b) Multiple Employer Plans (MEPs)	403(b) plans were not eligible for a MEP.	403(b) plans can now participate in MEPs (the MEP must be restricted to only either governmental or non-governmental employers) and pooled employer plans (PEPs).	MEPs/PEPs may allow for economies of scale through pooled service providers who offer administration ease, fiduciary oversight, and cost efficiencies.	January 1, 2023
Availability of Employer Matching or Non-Elective Contributions as Roth Contributions	Previously not permitted.	Plan participants of defined contribution plans can now choose to receive employer contributions on a Roth basis. This includes 401(k), 403(b), and 457(b) plans	Consider amending the plan to allow for Roth contributions.	January 1, 2023
Roth Contributions for SEP and SIMPLE IRAs	Previously not permitted.	SEP and SIMPLE IRAs allow for Roth Contributions.	Consider amending the plan to allow for Roth contributions.	January 1, 2023
Increase in Cashout Limit	Employers may distribute a former employee's balance that is less than $5,000 and roll it to an IRA.	The limit is increased from $5,000 to $7,000.	Consider a cashout of former employees in order to potentially reduce plan costs.	January 1, 2024
Starter 401(k) or 403(b) Plan	Previously not permitted.	Permits an employer that does not sponsor a retirement plan to offer a starter 401(k) or 403(b) plan. The plan would generally require that all employees be default enrolled in the plan. Annual deferral limits would be the same as IRA contribution limits including catch-up contributions.	Consider offering a 401(k) or 403(b) for your employees.	January 1, 2024
Additional Non-Elective SIMPLE IRA Contribution	Employers are required to make a 3% matching or 2% non-elective contribution.	Employers will be able to make additional, non-elective contributions of up to the lesser of 10% of employee compensation, or $5,000.	Consider amending the plan to allow for additional non-elective contributions.	January 1, 2024
Contribution Limit for SIMPLE IRAs	The SIMPLE IRA deferral limit is $15,500 (2023) and a catch-up contribution of $3,500 (2023) beginning at age 50.	Employers with 25 or fewer employees, the deferral and catch-up contributions will be increased by 10% of the current year's limit. Employers with between 26 and 100 employees can give employees the same enhanced deferral limits if they increase their matching contributions to 4% or their non-elective contributions to 3%.	Consider increasing your match to your SIMPLE plan.	January 1, 2024
Catch-Up Contributions in Retirement Plans Will Be Roth	Previously not permitted.	Catch-up contributions will be treated as a Roth contribution. This does not apply if the employee's compensation is $145,000 or less. The rule does not apply to SEP or SIMPLE IRAs.	Educate participants of the change.	January 1, 2024
Replacing SIMPLE IRAs With Safe Harbor 401(k) Midyear	Any changes to a SIMPLE IRA can only be made at the end of a plan year.	An employer can now replace a SIMPLE IRA with a Safe Harbor 401(k) during the plan year.	Consider whether a different retirement plan better meets the needs of the owner and the employees.	January 1, 2024
Roth Retirement Plan Required Minimum Distributions (RMDs)	RMDs begin the year an employee reached age 72 or later if the employee is not retired and does not own 5% or greater of the company.	Eliminates the RMD requirement for Roth dollars in employer plans, mimicking rules for Roth IRAs.	Consider amending the employer-sponsored plan to allow for Roth contributions if not already allowed.	January 1, 2024

Surviving Spouse Election to Be Treated as Employee	Surviving spouse takes RMDs based on their own life expectancy.	The surviving spouse can now elect to be treated as the employee with respect to RMDs. RMDs for the surviving spouse would be delayed until the deceased spouse would have reached the age at which RMDs begin.	N/A	January 1, 2024
Student Loan Payments as Elective Deferrals	Matching contributions were not allowed in 401(k), 403(b), SIMPLE IRAs, and governmental 457(b) plans for student loan purposes.	Employer contributions can now apply towards an employee's student loans in a 401(k), 403(b), SIMPLE IRA, and governmental 457(b) plans. A new non-discrimination test will apply to employees who receive matching contributions on student loan repayments. This benefit is not required by the employer to offer, but it is allowed.	If you have employees with student loans, consider adding this feature to your plan.	January 1, 2024
Withdrawals for Emergency Personal Expenses in Plans	Emergency expenses would have a 10% penalty on withdrawals prior to age 59 ½ unless another exemption is met.	Certain distributions can be used for emergency expenses, which are unforeseeable or immediate financial needs relating to personal or family emergency expenses. The withdrawal is exempted from the 10% premature distribution penalty tax. Only one distribution is permissible per calendar year of up to $1,000. The distribution can be repaid within three years.	Determine if this penalty-free withdrawal option should be made available in your plan.	January 1, 2024
Automatic Enrollment Mandatory in 401(k) and 403(b) Plans	Auto-enrollment was an available feature, but not mandatory.	All new 401(k) or 403(b) plans must add an automatic enrollment feature. Auto-enrolled participants will start at a contribution rate between 3% and 10% and automatically escalate contributions by 1% annually until they reach at least 10%, but no more than 15%. Participants can opt out of their auto escalate feature. Certain exemptions apply.	Consider adding automatic enrollment to a new or existing retirement plan to take advantage of the additional tax credit.	January 1, 2025
Higher Catch-Up Limit to Apply at Age 60, 61, 62, and 63.	Catch-up contributions were limited to one age and one dollar amount.	For individuals who have attained ages 60 to 63 in 401(k), 403(b), and governmental 457(b) plans, the catch-up limit increases to the greater of $10,000 or 50% more than the regular catch-up amount in 2024. In SIMPLE IRAs, the catch-up limit is the greater of $5,000 or 50% more than the regular catch-up amount in 2025.	For employees that are in these age ranges, make sure they are aware of the increased benefit.	January 1, 2025

Please Note: Qualified plans will require mandatory amendments to address SECURE Act changes; however, for most plans the deadline will be 2023. If you have questions on the SECURE Act related to your financial situation, please reach out to your Stifel Financial Advisor.

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