Lafayette Life Insurance Company

A member of Western & Southern Financial Group

SECURE Scope

Road to 2.0 Nearing 3-Way Intersection?

Be alert for some confusion surrounding SECURE 2.0. Why? Because it's not a single bill. In fact, none of three bills expected to eventually come together into SECURE 2.0 is actually titled as such. They are:

- **Securing a Strong Retirement Act of 2022** (i.e., House SECURE 2.0), passed by the House of Representatives
- **Retirement Improvement and Savings Enhancement to Supplement Healthy Investments for the Nest Egg Act** (i.e., RISE & SHINE Act Summary), passed by the Senate Health, Education, Labor and Pensions Committee
- **Enhancing American Retirement Now Act** (i.e., EARN Act Summary), passed by the Senate Finance Committee

Powered by overwhelming bipartisan support, a reconciled bill is expected to emerge from both chambers and become law this year. Following are selected highlights of the full-text House SECURE 2.0. Any differences in the other two summary-only bills are noted.

Catch-up Contributions: IRAs

The $1,000 catch-up contribution for taxpayers age 50 or over would be indexed for tax years beginning after 2023.
EARN Act Summary: effective for years beginning after date of enactment.

Catch-up Contributions: 401(k), 403(b) and 457(b) Governmental Plans

Catch-contributions for taxpayers age 50 and over would be required to be made as Roth contributions for tax years beginning after 2022.
EARN Act Summary: effective after 2023.

The catch-up contribution limit for taxpayers age 62, 63 and 64 would be increased to $10,000 ($5,000 for SIMPLE plans) for tax years beginning after 2022 and subject to current indexing for such amounts.
EARN Act Summary: between the ages of 60 and 63, effective after 2023.

Matching Contributions

Employers may allow employees to elect for some or all of the employer's matching contributions to 401(k) plans to be made as Roth contributions, effective for contributions made after the effective date of SECURE 2.0.
EARN Act Summary: effective after 2023.

Employers are permitted to provide matching contributions to a 401(k), 403(b), or 457(b) governmental plan or SIMPLE IRA on behalf of any employee making a qualified student loan payment, subject to the elective deferral limit and the employee's certification that the payment has been made. This would be effective for plan years beginning after 2022.
EARN Act Summary: effective after 2023.

SEP and SIMPLE Roth IRAs

Contributions to a designated SEP or SIMPLE Roth IRA would be permitted for taxable years beginning after 2022.
EARN Act Summary: effective after 2023.

Required Minimum Distributions

Effective for distributions required to be made after 2022 for individuals who turn 72 after that date:

Individuals Who Turn			RMDs Must Begin By April 1 Following Year Turn
Age 72	After 2022	Before 2030	Age 73
Age 73	After 2029	Before 2033	Age 74
Age 74	After 2032		Age 75

EARN Act Summary: increase to age 75 (no gradual increases), effective after 2031.

In addition, the excise tax on missed RMDs would be reduced from 50% to 25% and further reduced to 10% if corrected in a timely manner (generally before the end of the second tax year following the year in which the distribution should have been made). This change would be effective for taxable years beginning after 2022.
EARN Act Summary: effective after date of enactment.

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Qualified Charitable Distributions (QCDs)

In addition to allowing up to a $100,000 QCD each year, a one-time election to donate $50,000 to a charitable remainder trust or charitable gift annuity would be available. These dollar limits would be indexed for taxable years beginning after 2022. These changes would be effective for distributions made in taxable years ending after the date of enactment.
EARN Act Summary: split-interest election effective after date of enactment; indexing effective after 2023.

Qualified Longevity Annuity Contracts (QLACs)

The 25%-of-the-qualified-account-value limitation would be eliminated for contracts purchased or received in an exchange on or after the date of enactment. Survivor benefits may still be payable in the case of a divorce after the purchase of a joint and survivor QLAC. This change would be effective with respect to contracts purchased or issued in exchange or after July 2, 2014.
EARN Act Summary: would also increase dollar limit to $200,000; all changes effective after date of enactment.

Other Highlights of the EARN Act Summary

Effective after date of enactment

- Allow aggregation of RMDs when account is partially annuitized. Current regulations treat as two separate accounts in year following year of purchase.
- Allow substantially equal periodic payments exception to continue in case of a rollover of the account or an exchange of the annuity providing the payments.

Effective after 2023

- Eliminate lifetime distribution requirements for designated Roth accounts.
- Increase elective deferral limits for SIMPLE plans to $16,500 and catch-up contributions to $4,150 for certain plans or under certain conditions.

The **Rise and Shine Act Summary** focuses mostly on changes to bolster participant communications and improve the retirement system.

Have a SECURE 2.0 question? We're here to discuss.

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